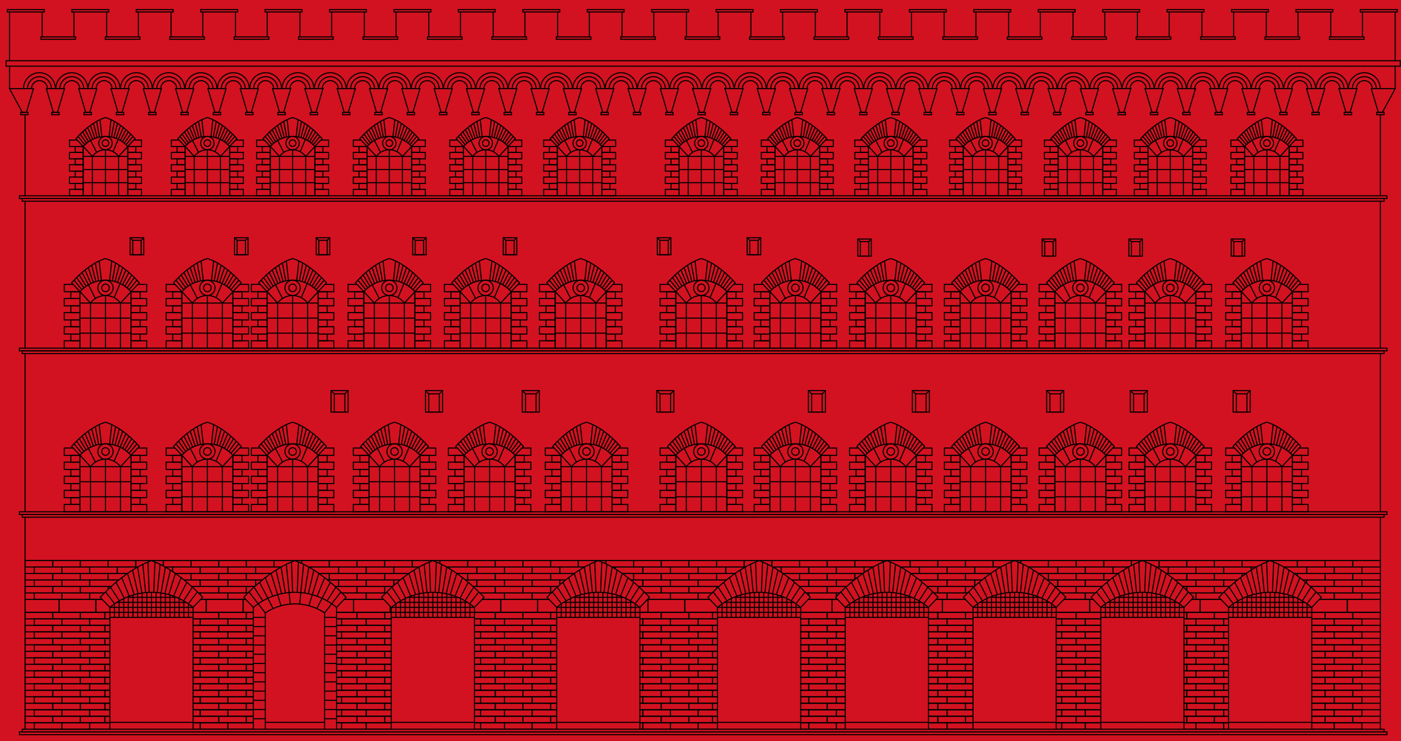

Annual Report 2022

FERRAGAMO

Salvatore Ferragamo Group Annual Report as at 31 December 2022

Salvatore Ferragamo S.p.A.
Florence

General information
Registered office Salvatore Ferragamo S.p.A. Via Tornabuoni, 2 - 50123 Florence
Legal information Authorized, subscribed and paid-up share capital 16,879,000 Euro
Tax code and Florence Company Register no.: 02175200480
Registered with the Florence Chamber of Commerce under REA (Economic and Administrative Register) no. 464724
Corporate website *https://group.ferragamo.com/en/*

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Letter from the Chair

Dear Shareholders,

For Salvatore Ferragamo, 2022 was a strategically important year, albeit in a complex and challenging macroeconomic context.

The year was characterized by very intensive and determined work - inspired by the long history of our company and its many unique values and examples - to create a solid foundation for the future on which to consolidate our identity, and a qualified organization to develop the important potential of our brand.

Under the leadership of Marco Gobbetti, managing director of our group since 1 January 2022, the collaboration with Maximilian Davis, a very young and talented creative director, began. We are confident that this renewed team will not only enable us to achieve important goals, but will also enhance the extraordinary human capital that distinguishes our company in Italy and in many parts of the world.

And the first thought is to pay tribute to the many collaborators who, with skill and passion, have continuously worked to guarantee and promote this significant evolution, always interpreting the quest for excellence, style and innovation that are the fundamental values of our brand and characteristic of our beloved Italy.

Convinced that luxury should be conceived as a solid reference point, a promoter of social and environmental issues, we have strengthened our commitment to sustainable development in 2022. To safeguard our shared heritage and to empower future generations, we have set out important new commitments in our Sustainability Plan for the coming years. For Ferragamo, sustainability is a culture, it is the way we work every day.

Once again, we were present on the social, cultural and territorial front, supporting associations and projects in the fields of art and culture, health and research. We have continued to prioritize the health and well-being of our employees, implementing our global diversity and inclusion strategy, with the introduction of company-wide training courses. We have also joined forces with Camera Nazionale della Moda Italiana to support the UNHCR in providing concrete assistance to the Ukrainian people who have been hard hit by the war.

Our heritage is the foundation on which we can build and accelerate growth. Today, our strategy is clear and our team is united by a shared purpose and values. I am confident that Salvatore Ferragamo will continue to fulfil its extraordinary potential and that we will continue to work with vision, dedication and determination to be an inspiration and benchmark for future generations.

Leonardo Ferragamo,
Salvatore Ferragamo S.p.A. Chair

Letter from the Managing Director and General Manager

Dear Shareholders,

I am delighted to introduce Salvatore Ferragamo's Annual Report for FY 2022, my first as CEO.

Ferragamo has an extraordinary heritage of innovation and creativity, and through close to a century of history has become a reference in the global luxury industry. I am honored to lead this wonderful organization and excited by the brand's development potential.

OUR STRATEGY

The luxury market is rapidly evolving: younger consumers who want to be surprised and constantly in touch through different forms of engagement and interaction, product casualization, demand for constant innovation and creativity, digital increasingly driving purchases, and a growing attention to sustainability and social equity.

In May we outlined our mid-term strategy to re-energize the brand leveraging on our core values: creativity, craftsmanship, attention to people, the planet and its resources, as well as constant inspiration from our fabulous heritage.

The evolution of the product is at the heart of the strategy to recruit new audiences. In March we welcomed Maximilian Davis as Ferragamo's new Creative Director. Maximilian is one of the most brilliant talents of his generation, with a powerful aesthetic, exceptional clarity of vision and level of execution. His debut fashion show in September generated strong endorsement from trade, press and celebrities alike. Since September, we revealed our new branding with a new logo set between classicism and modernity, an iconic, distinctive red color, and a complete new set of packaging.

We evolved the way we communicate with our customers, building a sense of community by updating our language, establishing a bold, clear creative vision and tone of voice to translate across all touchpoints, providing impactful, digitally driven content. With digital innovation and engagement as a clear priority, in August we finalized an important agreement with Farfetch, to strengthen significantly our digital capabilities and target a new, young clientele. Farfetch is the ideal partner to boost Ferragamo's digital prowess and omnichannel innovation, fueling our plans to accelerate our growth.

A major enabler of our strategy is our people, and a great focus is placed on the enhancement and development of our precious human capital. Throughout the year we have developed existing talents and attracted new ones, built a strong management team, while fostering a result-oriented and talent-based culture. We have modeled the organization to the strategy and to the focus on luxury consumers and a strong management team is now in place to lead in all geographies and sectors of activity.

Significant progression on all ESG dimensions is a key component of the strategy. Reduction of carbon emissions, the introduction of more sustainable materials, circular economy, and the acceleration of our D&I journey are the key pillars on which we will focus our efforts.

FY 2022 PERFORMANCE

I am satisfied with the results achieved this year, both in terms of revenues and profitability. Notwithstanding our strategic refocusing, 2022 has been another year of growth in revenues, amid a complex and volatile macroeconomic environment.
Our focus this year was to start investing to re-energize the brand, prioritizing the quality of sales and gross margin and optimizing the WHL channel, while accelerating investments in the second part of the year, especially in marketing and communication.

- Total Revenues reached 1,252 million Euro, up 10.2% at current exchange rates (+5.7% at constant exchange rates) vs. Full Year 2021.
- Gross Profit increased by 15.4% vs. FY 2021, to 901 million Euro, with incidence on Revenues up 320 basis points, moving to 72.0%, from 68.8% in FY 2021.
- Operating Costs amounted to 773 million Euro, +21.3% at current exchange rate vs. FY 2021, with marketing and communication expenses reaching 92 million Euro vs. 66 million Euro in FY 2021 (+38.7%), at 7.4% of Revenues from 5.8%.
- The Operating Profit (EBIT) was 128 million Euro vs. 143 million Euro in FY 2021 and the Net Profit for the period, including the Minority Interest, was 65 million Euro vs. 81 million Euro in FY 2021.

OUTLOOK

In 2022 we have laid out our strategy and worked at pace to build the platform for growth acceleration and are fully on track with our strategic priorities.

2023 will see the introduction in the market of our newly designed collections which will progressively increase their share of the total product offer.

I am particularly encouraged by the early results of the Spring-Summer'23 collection, launched in our stores in February, and excited about the success of our Fall-Winter'23 Fashion Show which has made a giant leap in the definition of our new, modern identity.

I wish to thank all our employees and partners for their passion, commitment, and the invaluable contribution to the project. I am very proud of what we have done so far and ever more excited about the opportunity which lays ahead.

Marco Gobbetti,
Salvatore Ferragamo S.p.A.
Managing Director and General Manager

BOARD OF DIRECTORS' REPORT ON OPERATIONS

AS AT 31 DECEMBER 2022

Board of Directors' report on operations as at 31 December 2022

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Corporate boards

Board of Directors[1]	Leonardo Ferragamo[7][12]	Chair
	Angelica Visconti[8][12]	Deputy Chair
	Marco Gobbetti[9][10]	Managing Director and General Manager
	Giacomo Ferragamo[11]	
	Frédéric Biousse[12][13]	
	Patrizia Michela Giangualano[12][13]	
	Annalisa Loustau Elia[12][13]	
	Umberto Tombari[12][13]	
	Peter Woo Kwong Ching[12]	
	Anna Zanardi Cappon[12][13][14]	
Control and Risks Committee[2]	Patrizia Michela Giangualano	Chair
	Umberto Tombari	
	Anna Zanardi Cappon	
Nomination and Remuneration Committee[3]	Anna Zanardi Cappon	Chair
	Umberto Tombari	
	Annalisa Loustau Elia	
Board of Statutory Auditors[4]	Andrea Balelli	Chair
	Paola Caramella	Acting Statutory Auditor
	Giovanni Crostarosa Guicciardi	Acting Statutory Auditor
	Roberto Coccia	Substitute Statutory Auditor
	Antonella Andrei	Substitute Statutory Auditor

Independent Auditors(5)	KPMG S.p.A.
Manager charged with preparing Company's Financial Reports(6)	Alessandro Corsi

(1) The members of the Board of Directors were appointed for a three-year term by resolution of the Shareholders' Meeting of 22 April 2021, except for the directors Frédéric Biousse and Annalisa Loustau Elia, co-opted by Board resolution passed pursuant to art. 2386, paragraph 1, of the Italian Civil Code on 29 September 2021 and appointed by resolution of the Shareholders' Meeting on 14 December 2021, and the director Marco Gobbetti, co-opted pursuant to art. 2386, paragraph 1, of the Italian Civil Code by the Board resolution of 14 December 2021, effective 1 January 2022, and appointed by resolution of the Shareholders' Meeting on 12 April 2022.

(2) Appointed by the Board of Directors on 22 April 2021.

(3) Appointed by the Board of Directors on 22 April 2021 and so composed as from 29 September 2021.

(4) Appointed by the Shareholders' Meeting on 8 May 2020 and serving until the date of approval of the separate financial statements as at 31 December 2022.

(5) Appointed by the Shareholders' Meeting on 18 April 2019 for the nine years from 2020 through 2028.

(6) Appointed by the Board of Directors on 10 March 2020 effective as from 1 April 2020.

(7) Appointed as Chair by the Board of Directors on 22 April 2021.

(8) Appointed as Deputy Chair by the Board of Directors on 14 December 2021, effective as from 1 January 2022.

(9) Appointed as director by the Shareholders' Meeting on 12 April 2022. On the same date, the Board of Directors also confirmed him as Managing Director and General Manager.

(10) Executive director.

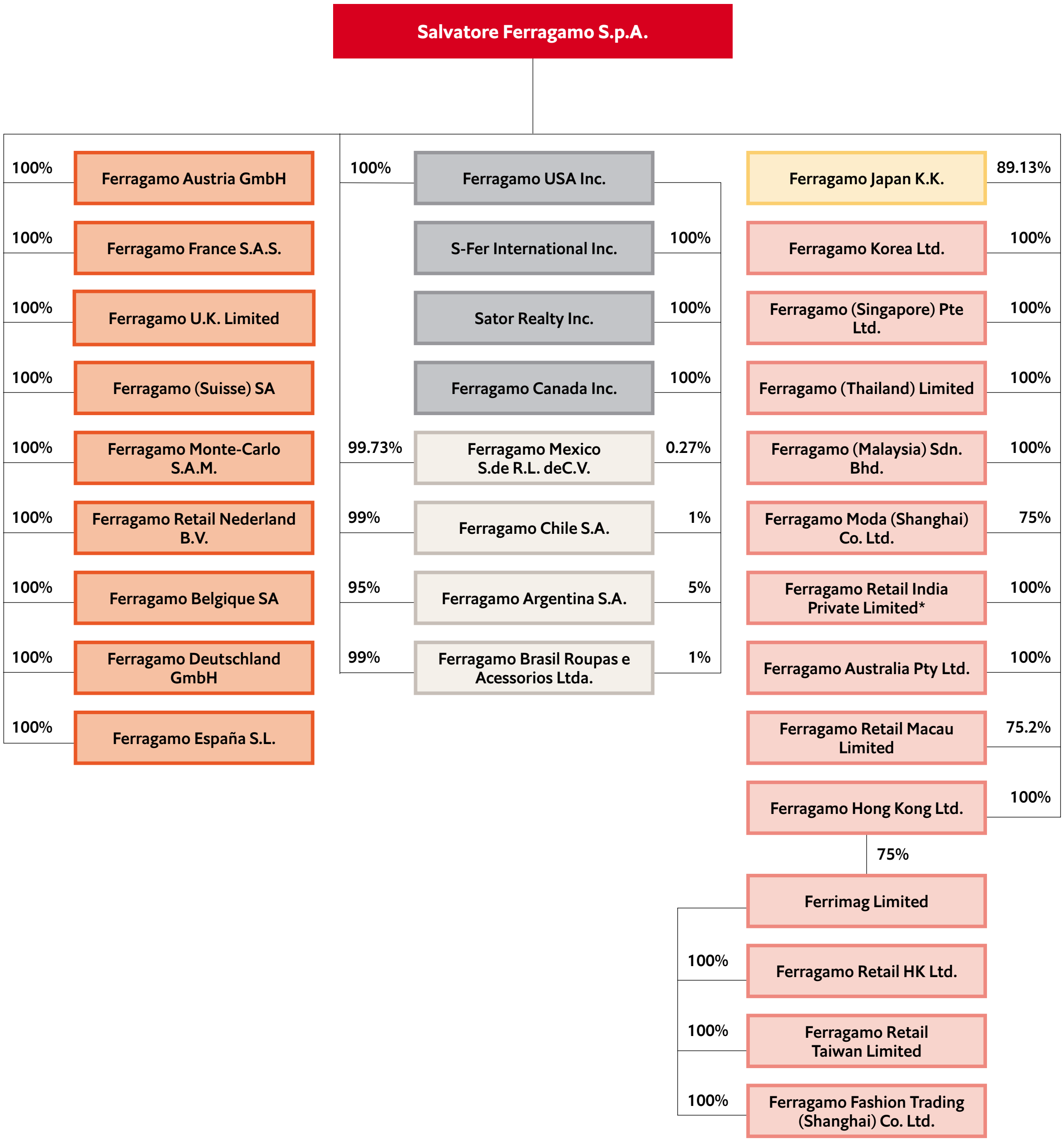
(11) Executive director pursuant to the Corporate Governance Code as a manager of the Company.

(12) Non-executive director.

(13) Independent director pursuant to article 147-ter, paragraph 4 and article 148, paragraph 3 of Italian Legislative Decree no. 58 of 24 February 1998 ("T.U.F.", Consolidated Law on Finance) and the Corporate Governance Code for listed companies.

(14) On 27 February 2023, she resigned from the Board of Directors with effect from the date of the Shareholders' Meeting to approve the financial statements for the year 2022.

Group structure



Notes

European companies
North America companies
Centre and South America companies
Asia Pacific companies
Japanese companies

* Non operating company

Composition of the Salvatore Ferragamo Group

As at 31 December 2022, the Salvatore Ferragamo Group consists of Salvatore Ferragamo S.p.A. (the "Parent company" and the "Company") and the following subsidiaries – consolidated on a line by line basis – in which the Parent company holds majority stakes, both directly or indirectly, and which it controls.

Salvatore Ferragamo S.p.A. Parent company, owner of the "Ferragamo" and "Salvatore Ferragamo" brands, as well as of numerous other figurative and shape- trademarks; it undertakes production activities and distributes products through retail channels in Italy as well as wholesale channels in Italy and abroad, and acts as a holding company

Europe	
Ferragamo Retail Nederland B.V.	It manages directly operated stores (DOS) in Holland
Ferragamo France S.A.S.	It manages directly operated stores (DOS) in France
Ferragamo Deutschland GmbH	It manages directly operated stores (DOS) in Germany
Ferragamo Austria GmbH	It manages directly operated stores (DOS) in Austria
Ferragamo U.K. Limited	It manages directly operated stores (DOS) in the United Kingdom
Ferragamo (Suisse) SA	It manages directly operated stores (DOS) in Switzerland
Ferragamo Belgique SA	It manages directly operated stores (DOS) in Belgium
Ferragamo Monte-Carlo S.A.M.	It manages directly operated stores (DOS) in the Principality of Monaco
Ferragamo Espana S.L.	It manages directly operated stores (DOS) in Spain
North America	
Ferragamo USA Inc.	It distributes and promotes products in the USA and acts as a sub-holding for North America (USA and Canada)
Ferragamo Canada Inc.	It manages directly operated stores (DOS) and the wholesale channel in Canada
S-Fer International Inc.	It manages directly operated stores (DOS) in the USA
Sator Realty Inc.	It manages directly operated stores (DOS) in the USA and real estate assets
Central and South America	
Ferragamo Mexico S. de R.L. de C.V.	It manages directly operated stores (DOS) and the wholesale channel in Mexico
Ferragamo Chile S.A.	It manages directly operated stores (DOS) in Chile
Ferragamo Argentina S.A.	It manages directly operated stores (DOS) in Argentina
Ferragamo Brasil Roupas e Acessorios Ltda.	It manages directly operated stores (DOS) in Brazil
Asia Pacific	
Ferragamo Hong Kong Ltd.	It distributes and promotes products in Asia and acts as a sub-holding for the Chinese area (Hong Kong)
Ferragamo Australia Pty Ltd.	It manages directly operated stores (DOS) in Australia
Ferrimag Limited	Sub-holding company for the Chinese area (Hong Kong, Taiwan, PRC)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) and the wholesale channel in the People's Republic of China
Ferragamo Moda (Shanghai) Co. Ltd.	It manages directly operated stores (DOS) in the People's Republic of China
Ferragamo Retail HK Limited	It manages directly operated stores (DOS) in Hong Kong
Ferragamo Retail Taiwan Limited	It manages directly operated stores (DOS) in Taiwan
Ferragamo Retail Macau Limited	It manages directly operated stores (DOS) in Macau
Ferragamo Retail India Private Limited	Non-operating company
Ferragamo Korea Ltd.	It manages directly operated stores (DOS) and the wholesale channel in South Korea
Ferragamo (Singapore) Pte Ltd.	It manages directly operated stores (DOS) in Singapore
Ferragamo (Thailand) Limited	It manages directly operated stores (DOS) in Thailand
Ferragamo (Malaysia) Sdn. Bhd.	It manages directly operated stores (DOS) in Malaysia
Japan	
Ferragamo Japan K.K.	It manages directly operated stores (DOS) in Japan

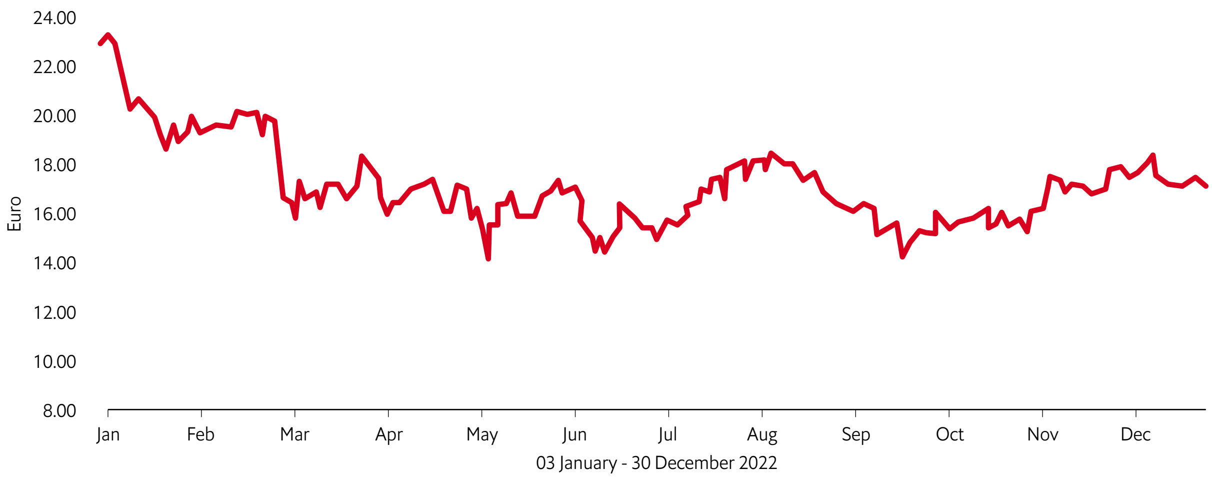
Main Stock Market indicators – Salvatore Ferragamo S.p.A.

Official price as at 31 December 2022 in Euro	16.49
Minimum price as at 10 May 2022 in Euro (1)	13.49
Maximum price as at 5 January 2022 in Euro (1)	23.25
Stock Market capitalization as at 31 December 2022 in Euro	2,783,347,100
Number of shares making up the share capital as at 31 December 2022	168,790,000
Number of outstanding shares (free float)* as at 31 December 2022	63,697,790

* determined as the number of shares that make up the share capital, excluding treasury shares and the shares held by the Ferragamo Finanziaria S.p.A. parent company and by Majestic Honour Limited.

Here below is the trend in Salvatore Ferragamo's share price during 2022.

Share price (Official price)



[1] Minimum and maximum prices recorded during the day's trading session and, therefore, not coinciding with official and reference prices on the same date.

Alternative performance measures

In order to better assess its performance, the Salvatore Ferragamo Group makes use of some alternative performance measures which are not identified as accounting measures under IFRS. Therefore, the measurement basis applied by the Group may differ from that adopted by other groups, and the balance may not be comparable.

These alternative performance measures are derived exclusively from historical financial data and are determined in accordance with the Guidelines on Alternative Performance Measures issued by ESMA/2015/1415 and adopted by CONSOB with communication no. 92543 of 3 December 2015. They refer exclusively to the performance for the reporting period of this Annual Report as well as the comparative periods, and not to the Group's expected performance and are not to be considered as substitutes for IFRS measures.

The definitions of the alternative performance measures adopted in this report are provided below:

Net sales: it consists of revenues from the sale of products; it is therefore determined by excluding the following items from *Revenues*: *Rental income investment properties*, *Licenses and services* and the effect of hedging against exchange rate risk on Revenues (*Cash flow hedging effect on Revenues*).

Operating profit/(loss): it is the difference between *Revenues*, *Cost of goods sold*, and *Operating costs* net of *Other income*.

EBITDA: it is *Operating profit* before *Amortization and depreciation* and *Write-downs of tangible/intangible assets* and *Right-of-use assets*.

Net working capital: it is *Inventories*, plus *Right of return assets* and *Trade receivables* net of *Trade payables* and *Refund liabilities*.

Net invested capital: it is the total amount of *Non current assets, Current assets* and *Assets held for sale*, excluding financial assets (*Other current financial assets* and *Cash and cash equivalents*) net of *Non current liabilities*, *Current liabilities* and *Liabilities held for sale*, excluding financial liabilities (*Current and non current interest-bearing loans & borrowings*, *Other current and non current financial liabilities, and Current and non current lease liabilities*).

Adjusted net invested capital: it is *Net invested capital* excluding *Right-of-use assets* and *Right-of-use assets* classified as *Investment property*.

Net financial debt/(surplus): it is calculated as *Current and non current interest-bearing loans & borrowings* plus *Current and non current lease liabilities* and *Other current and non current financial liabilities* including the negative fair value of derivatives (non-hedging component), net of *Cash and cash equivalents* and *Other current financial assets*, including the positive fair value of derivatives (non-hedging component).

Adjusted net financial debt/(surplus): it is *Net financial debt/(surplus)* excluding *Current and non current lease liabilities*.

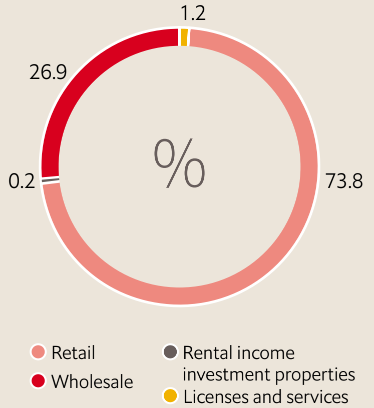
Adjusted cash flow from (used in) operating activities: it is *Net cash from (used in) operating activities* net of *Repayment of lease liabilities* (classified as *Cash flow from financing activities*).

Investments in tangible and intangible assets: include i) the increases in the historical cost of *Property, plant and equipment*, *Investment property* (excluding those relating to *Right-of-use assets*) and *Intangible assets with a finite useful life*, net of decreases in tangible assets and intangible assets in progress and the costs of restoring the premises rented from third parties; ii) the increases in the historical cost of *Right-of-use assets* relating to the direct initial costs incurred to rent the premises from third parties.

1. The Group's main income and financial results for the year 2022

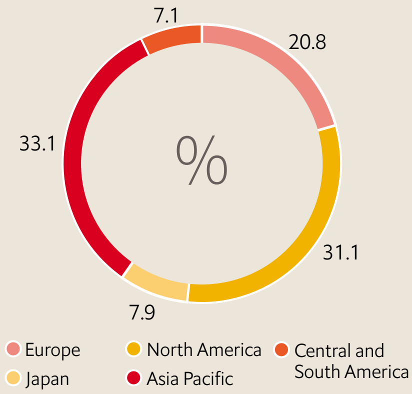
(In millions of Euro)	2022	2021	% change 2022 vs 2021
Revenues	1,251.8	1,135.5	10.2%
Gross profit	901.1	780.9	15.4%
Gross profit %	72.0%	68.8%	
EBITDA	298.9	304.5	(1.8%)
EBITDA %	23.9%	26.8%	
Operating profit/(loss)	127.9	143.5	(10.8%)
Operating profit/(loss) %	10.2%	12.6%	
Net profit/(loss) for the period	65.4	81.1	(19.5%)
Net profit/(loss) – *Group*	*69.6*	*78.6*	*(11.5%)*
Net profit/(loss) – *minority interests*	*(4.3)*	*2.5*	

Revenues by distribution channel as at 31 December 2022

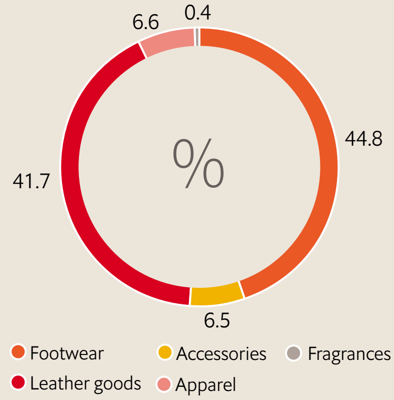


Cash flow hedging on Sales (-2.1%)

Net Sales by geographic area as at 31 December 2022



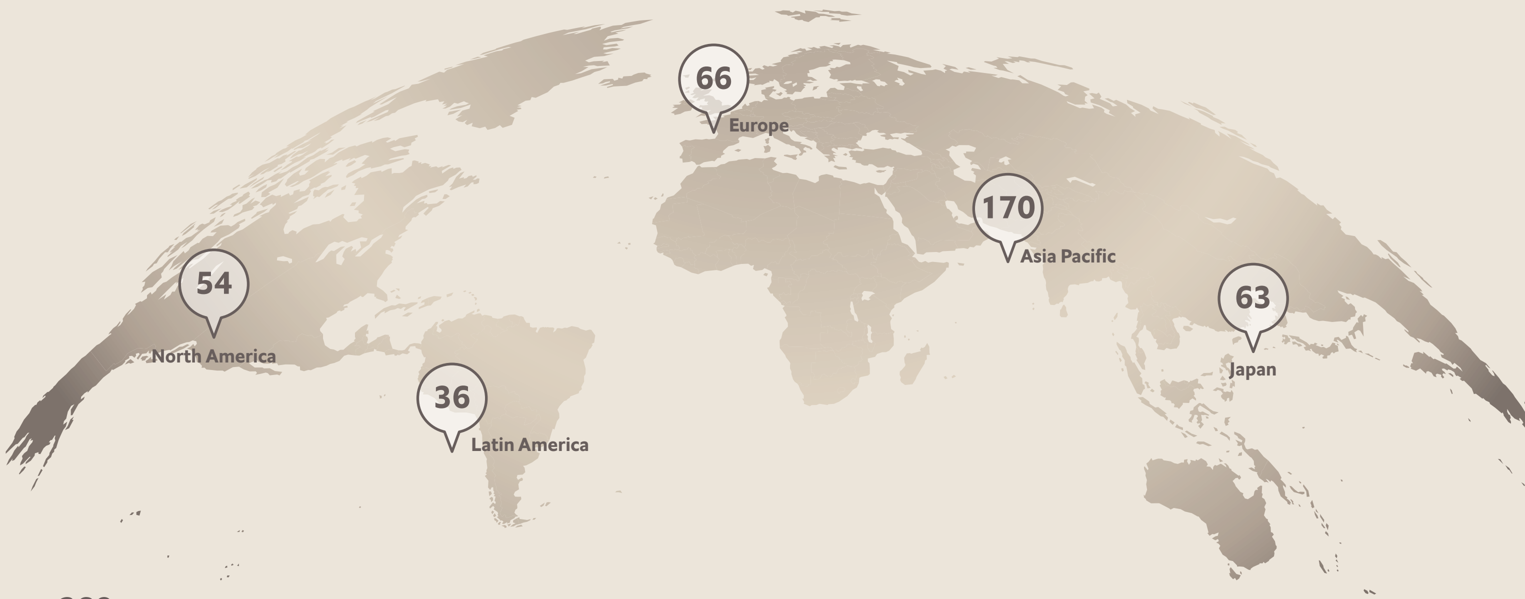
Net Sales by product category as at 31 December 2022



(In millions of Euro)	31 December 2022	31 December 2021
Investments in tangible/intangible assets	55.9	44.2
Net working capital	191.4	199.4
Shareholders' equity	775.4	785.9
Adjusted net financial debt/(surplus)	(371.2)	(372.8)
Adjusted cash flow from (used in) operating activities	152.5	275.5

	31 December 2022	31 December 2021
Staff as at the reporting date	3,830	3,887
Number of DOS	389	409

Geographical distribution of DOS (31 December 2022)
No. of stores:



389 Ferragamo monobrand stores managed directly

Disclaimer

This document contains forward-looking statements, in particular in the sections headed "Macroeconomic situation and outlook", "Significant events occurred after 31 December 2022", and "Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016" relating to future events and the operating, income, financial, social, and environmental results of the Salvatore Ferragamo Group. These statements are based on the Salvatore Ferragamo Group's current expectations and forecasts regarding future events and, by their nature, involve risks and uncertainties, since they refer to events and depend on circumstances which may, or may not, happen or occur in the future. As such, they must not be unduly relied upon. The actual results could differ significantly from those contained in these statements due to a variety of factors, including the volatility and deterioration in the performance of securities and financial markets, changes in raw material prices, changes in macroeconomic conditions and in economic growth, and other changes in business conditions, in the legal and institutional framework (both in Italy and abroad), and many other factors, most of which are beyond the Group's control.

2. Introduction

The Parent company Salvatore Ferragamo S.p.A. is a legal entity set up under Italian law and, pursuant to art. 40, paragraph 2 bis, of Legislative Decree 127/91, it prepares the Directors' report on operations of both the Separate Financial Statements and the Consolidated Financial Statements in a single document.

The Directors' report on operations, in addition to the indicators required for financial statements, in compliance with International Financial Reporting Standards (IFRS), also includes some alternative performance measures used by management to monitor and assess the Group's performance, as detailed in a specific section. In addition, this Directors' report on operations includes the Consolidated Non-Financial Statement as required by Legislative Decree no. 254/2016 on non-financial statements about the following: environmental, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters.

3. The Salvatore Ferragamo Group's activities

The Salvatore Ferragamo Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. The product range stands out for its uniqueness, which is the result of the combination of creative and innovative style with the quality and craftsmanship that are the hallmark of luxury goods made in Italy.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo flag-ship stores, both directly operated (DOS) and through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel.

The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

History of the Group

1898

Salvatore Ferragamo is born in Bonito, in the province of Avellino.

1923

After joining his siblings in America, Salvatore Ferragamo opens the Hollywood Boot Shop marking the start of his career as "shoemaker to the stars".

1927

Salvatore Ferragamo Italia is set up, producing women's shoes. The first laboratory is opened in Florence.

1936

Salvatore Ferragamo transfers the shoe laboratory to Palazzo Spini Feroni, which he then bought in 1938 and is still the registered office of the Group.

1938

Salvatore Ferragamo makes the famous Rainbow model for Judy Garland, the year after having invented and patented the cork wedge heel.

1947

In Dallas, Salvatore Ferragamo receives the Neiman Marcus Prize for his "Invisibile" sandal.

1950s

Launch of the women's Leather Goods and women's Ready-To-Wear lines. The success is now international and the shop in Florence is visited by celebrities such as Audrey Hepburn and the Dukes of Windsor.

1960s

After the death of the Founder, his widow Wanda took over the reins of the Company. In 1965 the production of bags starts.

1970s

Launch of the first men's Ready-To-Wear collections, men's footwear, silk and accessories.

2022
Appointment of Maximilian Davis as Salvatore Ferragamo S.p.A.'s Creative Director.

2021
Licensing of the Salvatore Ferragamo brand for the production and distribution of the Fragrances line.

2011
Salvatore Ferragamo S.p.A. is listed on the Mercato Telematico Azionario (screen-based stock exchange, currently known as Euronext Milan) organized and operated by Borsa Italiana S.p.A.

2003
Realization of the first Salvatore Ferragamo watches.

1998
Launch of the Salvatore Ferragamo Fragrances and Eyewear lines.

1995
Inauguration of the Salvatore Ferragamo Museum at Palazzo Spini Feroni, dedicated to the shoes and history of the Company.

1990
Creation of the bag with the famous Gancini decorative symbol.

1978
Creation of Vara, one of the most famous shoes by Salvatore Ferragamo.

1986
Opening of the first DOS in Asia (Hong Kong) and entry into the Asian market.

Distinctive features of the Parent company and the Group

The main factors which have enabled the development and consolidation of the Group's competitive positioning can be summarized as follows:

Brand heritage as a synonym of glamour, elegance, craftsmanship, creativity and innovation

- the legendary status of the founder Salvatore Ferragamo which is inseparably linked to the world of luxury footwear;
- over 80 years' history associated with high quality, luxury products which have always been known for their "Made in Italy" excellence;
- continuous product innovation with a high level of customization and use of rare and high-quality materials;
- abundant archive of designs and models to draw on as inspiration for new collections;
- use of Ferragamo products by leading personalities from the world of cinema, theatre and entertainment.

Global brand awareness

- high and consolidated level of brand awareness;
- worldwide distribution of products and presence, through tailored single brand stores, in the key shopping streets and prestigious locations for the luxury sector;
- significant and consolidated presence in Europe, America and Asia.

Sustainable Thinking

- incorporation of sustainability throughout the value chain, in keeping with the core values of creativity, innovation, and world-class craftsmanship;
- a governance model that takes into account the context of reference and the balance/mitigation of environmental, social and governance ("ESG") risks, with responsibility for sustainability assigned to the Control and Risks Committee, composed entirely of independent directors, and the creation of the corporate Transformation & Sustainability function;
- development and formal approval by the Board of Directors of the Salvatore Ferragamo Group Sustainability Plan, with a three-year time horizon (2023-2025). The plan is based on five pillars: Carbon Emission Reduction, Sustainable Materials with Focus on Leather, Circular Economy & Recycling, Supply Chain Transparency and Local Focus, Foster Diversity & Inclusion;
- alignment of the 2023 Remuneration Policy with the Strategic Plan and the Sustainability Plan;
- development of initiatives to engage stakeholders and promote partnerships at all levels to gradually transform the industry in the direction of more sustainable models inspired by the circular economy.

Ongoing search for quality applied to the whole "Made in Italy" product range

- "Made in Italy" production process realized through a number of expert and carefully selected suppliers which have been working with the Group for several years;
- particular attention to quality control, both in choosing and processing materials, and on the finished product;
- granting of a limited number of licenses solely to highly qualified and prestigious companies.

Consolidated, extended distribution network that is diversified across different channels

Consolidated, extended distribution network that is diversified across different channels (DOS-TPOS-multibrand channel):
- consolidated presence of mono-brand stores (mainly DOS) in the world's main luxury locations, with a balanced geographical exposure in both developed and emerging markets;
- presence in department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Salvatore Ferragamo Group has its own network of directly operated stores; the business in the United States is of particular importance;
- significant presence in the travel retail channel with Ferragamo single brand stores in the main airports around the globe;
- presence in the digital channel (Internet) with a website (*www.ferragamo.com*) in seven languages (Italian, French, Spanish, English, Chinese, Korean and Japanese) and e-commerce functions (directly managed by the Group) for various European countries (Eurozone and United Kingdom), United States, South Korea, Japan, Mexico, People's Republic of China and Australia. In 2022, a commercial agreement was reached with Farfetch (one of the leading global platforms in the luxury market) to further boost the brand's e-commerce and omnichannel innovation, thus reaching a new and younger audience.

Strategy

The Group's strategy is to strengthen its competitive position among the leaders in the global luxury market, to respond to the ever-changing environment in which it operates and to create value for its shareholders through sustainable and profitable growth.
The main strategic guidelines can be summarized as follows:
- the product always at the center;
- new energy for the brand;
- focus on the digital domain;
- enrichment of the customer experience.

Product at the heart of the strategy:

The Group aims to maintain and strengthen its position in the global luxury segment by putting the product at the heart of its strategy, creating products that are always desirable and in tune with consumer tastes:
- integrating the collections to meet new purchasing occasions and focusing on a younger clientele;
- increasing the focus on the product categories that form the core of the Group's offer (footwear, leather goods), but also on Ready-To-Wear.

A new energy for the brand, an increase in the relevance of the digital channel and an enrichment of the customer experience

The Group intends to reinvigorate the brand and enrich the customer experience with the brand:
- by evolving the way and speed with which the Group communicates its products;
- by updating the communication language and clearly communicating the creative vision;
- prioritizing digital communication as a tool to attract and inspire new customers in the current market context;
- enriching the consumer experience through omnichannel services and innovating the physical store experience.

Ongoing modernization of the supply chain and the organizational structure to allow Salvatore Ferragamo S.p.A. and the Group to achieve its objectives

The Group intends to continue leveraging the Italian spirit, sustainability, and flexibility of its production structure, based on integration with the external manufacturing workshops with which it maintains consolidated and long-standing relations.
In order to achieve its strategic objectives, the Group seeks to focus even more on the development of its human resources, who have always been one of its main assets, through a series of initiatives to train and develop in-house staff, as well as to recruit new, expert professionals. The Group also seeks to strengthen its IT and logistics infrastructure.

Please note that the "Logistics Hub" in the Osmannoro facility – in the Municipality of Sesto Fiorentino (province of Florence), featuring innovative systems and a high level of automation, has been operational since 2018. The main benefits the Group has reaped from this major investment are: bringing the delivery/storing/shipping of the Parent company's products together into a single logistics site; being able to handle much larger product volumes than previously possible; boosting the productivity, quality, and efficiency of the logistics process, so as to meet market demands in a more flexible manner and faster; improving overall working conditions by installing ergonomic workstations.

The strategic/organizational model

The success of the Salvatore Ferragamo Group is based on pursuing a coherent strategy over time, centered on constant monitoring of the value chain through the adoption of a shared Group organizational model for the various product categories. In particular, the Salvatore Ferragamo Group has always operated with the aim of offering its customers products that are characterized by a high quality level, based on a solid tradition of craftsmanship, exclusive design and a style aimed at preserving the brand's strong identity. This approach has been applied in the choice of materials, in the design phase, in production processes and in the design and architecture of stores.

The production system

The organizational model adopted by the Group entrusts the production process entirely to specialized Italian production facilities, while keeping the management and organization of the main stages of the value chain in-house.

The Group's operating model ensures flexibility and efficiency in the production and logistics cycle through the use of a broad network of selected and expert Italian manufacturers which have been working with the Group for many years. With reference to production, the Group directly manages the product development and industrialization stage and usually undertakes quality controls, both during the production process and on 100% of the finished products.

The distribution system

The organization of distribution and sales is one of the Group's strengths, thanks to its extensive and consolidated presence both in so-called traditional markets (Europe, United States and Japan) and in emerging markets (such as Asia Pacific and Latin America), as well as thanks to its store locations.

The Group attributes great importance to monitoring distribution, which is done through: a network of directly operated Ferragamo single brand stores (DOS), which as at 31 December 2022 numbered 389 (the so-called retail channel), and a network of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS), as well as through a multibrand channel (taken as a whole, the so-called wholesale channel).

Through the retail channel, the Group directly markets all product lines to end customers. Directly operated stores (DOS) are located across all the main markets served by the Group in exclusive and strategic locations, both from a reputational and commercial point of view.
Wholesale sales are targeted exclusively at retailers and, to a lesser extent, distributors. Wholesale customers consist of:
- department stores and luxury specialist retailers, in order to strengthen the presence in countries where the Group has its own network of directly operated stores. The business in the United States is of particular importance;
- franchisees, which ensure a foothold in markets for which a direct retail presence is currently not possible or not deemed necessary, such as the Middle East, some areas of Africa, and some areas of the People's Republic of China;
- travel retail/duty free stores opened inside airports and other "duty free" locations.

Stores are selected on the basis of their coherence with the positioning of the "Salvatore Ferragamo" brand, their location, and the visibility which they can guarantee the brand.

Changes to the Group structure

During 2022, the composition of the Salvatore Ferragamo Group saw the following change:
- On 27 July 2022, Salvatore Ferragamo S.p.A. subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital. The transaction aims to strengthen the Salvatore Ferragamo Group's presence in Japan, providing Ferragamo Japan K.K. with greater financial resources to develop the local business.

For more details, please refer to the section "Significant events occurred during the year".

Effect of exchange rate changes on operations

The Ferragamo Group has a strong presence in international markets, including through commercial companies located in countries with currencies other than the Euro, mainly the US Dollar, the Chinese Renminbi, the Japanese Yen, the South Korean Won, and the Mexican Peso. Therefore, the Group is exposed to both settlement and translation risk.

In 2022, the outbreak of the Russia-Ukraine conflict and soaring prices of commodities, chief among them energy commodities, plunged markets into considerable uncertainty and caused inflation to surge. With the aim of counteracting this effect, central banks started to raise interest rates significantly. The EUR/USD exchange rate went from 1.13 in January and then fell in the first half of the year as a result of its safe-haven status, reaching 1.04 in June. Subsequently, as a result of the Fed (Federal Reserve System – Central bank of the United States)'s aggressive interventions on interest rates, the Dollar appreciated further and the EUR/USD exchange rate reached 0.97 at the end of September. In the last quarter, the Dollar corrected sharply to end the year at 1.0666 against the Euro, following a faster-than-expected slowdown in US inflation, a subsequent fall in yields and lower rate hikes by the Fed.

In China, following the maintenance of a "zero-Covid" policy and a general economic slowdown, the PBoC (Central bank of the People's Republic of China) went against the trend set by the major central banks, reducing official and lending rates during the year. During the year the USD/CNY exchange rate rose gradually from 6.36 to a high of 7.32 in early November, partly as a result of the strengthening of the US currency. However, in the last two months of the year, following the easing of the "zero-Covid" policy and the weakening of the Dollar, the Yuan strengthened, returning to a level of 6.90 at the end of December. Against the single currency, which was hit by the Russian-Ukrainian conflict and the energy crisis, the Yuan instead strengthened in the first half of the year – from 7.22 in January to 6.75 in July – before gradually weakening over the rest of the year, peaking at 7.53 in November and then closing the year at 7.3582.

The South Korean Won – linked to the economic cycle and to the trade balance – also weakened against the Dollar during the year, starting from 1193 in January and hitting a high of 1443 in October. However, in the last two months of the year, coinciding with the weakening of the Dollar, the South Korean Won strengthened significantly, reaching an exchange rate of 1260 at the end of December. The EUR/KRW exchange rate started at 1354, fluctuated around an average value of 1344 until August, weakened over the next two months to reach a level of 1428 at the end of October, then strengthened again and to end the year at 1344.

In Japan, where interest rates remain very low due to high government debt, the currency trend remains directly correlated to the Western rates trend. Over the course of the year, the Yen depreciated in correspondence with the US 10Y rate hike: the EUR/JPY exchange rate went from 130.6 in January to 140.7 at the end of the year, with peaks at around 147.5 in October.

Finally, the Mexican Peso strengthened significantly on the back of rising commodity prices and interest rate hikes by the Mexican Central Bank. The EUR/MXN exchange rate went from 23.2 in January to 20.8 at the end of the year, reaching a low of 19.2 in November.

The exchange risk management policy and the hedging arrangements put in place by the Ferragamo Group (for details, please refer to section 3 "Management of financial risks" of the Explanatory notes to the Consolidated Financial Statements and the Separate Financial Statements) mitigated the effects of the above fluctuations on the expected industrial margin.

4. The Group's operating performance

In 2022, the result of the Salvatore Ferragamo Group show a positive trend both in terms of revenues (+10.2% at current exchange rates and +5.7% at constant exchange rates compared to 2021) and margins. The gross margin for the 2022 financial year stood at 72.0% of revenues, compared to 68.8% in the previous year, driven by improved profitability in all sales channels and influenced by the favorable exchange rate trend during the year, which benefited operators with production in Euro; it should be noted that the positive results obtained in 2022 were achieved in a macroeconomic context that remained uncertain both because of the dramatic events of the Russia-Ukraine conflict and its impact on the increase in the prices of raw materials and energy, and because of the persistence of the Covid-19 pandemic which has led to new restrictions and barriers on commercial activities and people, particularly in China. The operating profit/(loss) decreased from a positive result of Euro 143.5 million in 2021 to an operating profit of Euro 127.9 million in 2022, a decrease of 10.8%, mainly due to the increase in operating costs, in particular as a result of the measure taken by the management to implement the strategic plan, starting in the third quarter of the year. The net profit for the period was Euro 65.4 million, compared to a net profit of Euro 81.1 million in the previous year, a decrease of 19.5%.

The Group's adjusted net financial position (surplus), amounting to 371.2 million Euro, remains solid and positive, largely in line with 372.8 million Euro recorded as at 31 December 2021, after the payment of dividends in the amount of 56.7 million Euro and the buyback of treasury shares in the amount of 42.7 million Euro during the year.

The following table shows the main income statement data.

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Revenues	**1,251,808**	**100.0%**	**1,135,520**	**100.0%**	**10.2%**
Gross profit	**901,115**	**72.0%**	**780,944**	**68.8%**	**15.4%**
Style, product development and logistics costs	(49,263)	(3.9%)	(40,908)	(3.6%)	20.4%
Sales & distribution costs	(453,167)	(36.2%)	(407,844)	(35.9%)	11.1%
Marketing & communication costs	(92,064)	(7.4%)	(66,379)	(5.8%)	38.7%
General and administrative costs	(168,819)	(13.5%)	(126,304)	(11.1%)	33.7%
Other operating costs	(29,024)	(2.3%)	(22,714)	(2.0%)	27.8%
Other income	19,160	1.5%	26,685	2.4%	(28.2%)
Total operating costs (net of other income)	**(773,177)**	**(61.8%)**	**(637,464)**	**(56.1%)**	**21.3%**
Operating profit/(loss)	**127,938**	**10.2%**	**143,480**	**12.6%**	**(10.8%)**
Net financial income and charges	(26,776)	(2.1%)	(20,862)	(1.8%)	28.3%
Profit/(loss) before taxes	**101,162**	**8.1%**	**122,618**	**10.8%**	**(17.5%)**
Income taxes	(35,810)	(2.9%)	(36,289)	(3.2%)	(1.3%)
Profit/(loss) from continuing operations	**65,352**	**5.2%**	**86,329**	**7.6%**	**(24.3%)**
Profit/(loss) from discontinued operation, net of tax	-	-	(5,192)	(0.5%)	na
Net profit/(loss) for the period	**65,352**	**5.2%**	**81,137**	**7.1%**	**(19.5%)**
Net profit/(loss) – Group	69,609	5.6%	78,647	6.9%	(11.5%)
Net profit/(loss) – minority interests	(4,257)	(0.3%)	2,490	0.2%	na
Amortization, depreciation and write-downs	170,962	13.7%	161,049	14.2%	6.2%
EBITDA	**298,900**	**23.9%**	**304,529**	**26.8%**	**(1.8%)**

In 2022, **revenues** reached 1,251,808 thousand Euro, compared to 1,135,520 thousand Euro in 2021, up 10.2%. The four main currencies other than the Euro in which the Group generates most of its revenues, i.e., US Dollar, Chinese Renminbi, South-Korean Won, and Japanese Yen, performed as follows in 2022 compared to the prior year: the US Dollar strongly appreciated by 11.0%[2], the Chinese Renminbi appreciated by 7.2%[3], the Japanese Yen depreciated by 6.3%[4], and the South-Korean Won depreciated by 0.3%[5] against the Euro, the currency in which the amounts in the consolidated financial statements are expressed. Revenues were up 5.7% at constant exchange rates (applying the 2022 average exchange rate to the revenues for 2021 – net of the hedging impact). With reference to the fourth quarter of 2022 only, revenues amounted to 331,083 thousand Euro, down 5.5% compared to the prior-year period (-10.2% at constant exchange rates). Currency hedges of revenues resulted in a negative 25,664 thousand Euro adjustment to revenues in 2022, compared to a negative 332 thousand Euro adjustment in 2021.

In 2022, **gross profit** totaled 901,115 thousand Euro, up 15.4% from 780,944 thousand Euro in the prior year. Gross margin was 72.0% of revenues compared to 68.8% in 2021, positively impacted by higher profitability in all sales channels, the more than proportional improvement in full-price sales, and favorable exchange rate developments. In the fourth quarter of 2022 alone, the Group generated 239,426 thousand Euro in gross profit, down 3.9% from 249,231 thousand Euro in the prior-year period. Gross profit rose as a percentage of revenues to 72.3%, compared to 71.2% in the fourth quarter of 2021.

Total **operating costs** (net of other income) amounted to 773,177 thousand Euro in 2022, up 21.3% from 2021 (637,464 thousand Euro), and totaled 61,8% as a percentage of revenues. The increase in total operating costs, partly influenced by the appreciation of the main currencies during the period, is primarily attributable to the growth of revenues and the progressive normalization of the Group's cost structure and, starting from the third quarter, to the steps that management has begun to undertake to implement the brand relaunch strategy. In this regard, the higher costs for enhancing communication and marketing activities and the organizational structure should be noted. Moreover, in 2022, the contributions received, both for employment support and for renegotiation of rents, were lower than in the previous year; some types of costs have already risen due to inflationary pressures, such as transport and energy costs. In the fourth quarter of 2022, total net operating costs increased from 190,227 thousand Euro to 225,351 thousand Euro, up 18.5% compared to the prior-year period; as a percentage of revenues, they rose from 54.3% in 2021 to 68.1% in 2022.

Because of the increase in net operating costs, **EBITDA** shifted from 304,529 thousand Euro in 2021 to 298,900 thousand Euro, down 1.8%, amounting to 23.9% as a percentage of revenues compared to 26.8% in 2021. In the fourth quarter of 2022, EBITDA totaled 57,585 thousand Euro, compared to 102,616 thousand Euro in the prior-year period, and accounted for 17.4% of revenues, compared to 29.3% in the fourth quarter of 2021.

[2] With reference to the average Euro/USD exchange rate in 2022	1.0530;	2021	1.1827
[3] With reference to the average Euro/Cny exchange rate in 2022	7.0788;	2021	7.6282
[4] With reference to the average Euro/Yen exchange rate in 2022	138.0274;	2021	129.8767
[5] With reference to the average Euro/KRW exchange rate in 2022	1358.0683;	2021	1354.0595

The Group reported an **operating profit** of 127,938 thousand Euro, compared to an operating profit of 143,480 thousand Euro in 2021, down 10.8%. In the fourth quarter of 2022, the Group reported an operating profit of 14,075 thousand Euro, compared to 59,004 thousand Euro in the fourth quarter of 2021 (down 44,929 thousand Euro), totaling 4.3% as a percentage of revenues, compared to 16.8% in the same period last year.

Net financial income and charges shifted from 20,862 thousand Euro in charges in 2021 to 26,776 thousand Euro in charges in 2022. In the fourth quarter of 2022, net financial income and charges totaled 12,512 thousand Euro in charges compared to charges of 5,324 thousand Euro in the prior-year period.

The 101,162 thousand Euro profit before taxes gave rise to 35,810 thousand Euro in **income taxes**, with an effective tax rate of 35.4%.
In 2021, the Group posted a **Loss from discontinued operation**, net of taxes, of 5,192 thousand Euro. This referred to the fragrances business: under the agreement with Inter Parfums, Inc., this was transferred effective 1 October 2021 with the grant of an exclusive global license to produce and distribute Ferragamo-branded fragrances. For further details, please refer to the section "Significant events occurred during the year" in the Annual Report as at 31 December 2021.

The Group reported a 65,352 thousand Euro consolidated **net profit** for 2022, compared to a 81,137 thousand Euro net profit for 2021. The Group share amounted to a consolidated profit of 69,609 thousand Euro, compared to a 78,647 thousand Euro profit in the prior year. In the fourth quarter of 2022, net loss totaled 2,096 thousand Euro, compared to a net profit of 41,283 thousand Euro in the fourth quarter of 2021.

The Group ended 2022 with an **adjusted net financial surplus** of 371,249 thousand Euro, substantially in line with a 372,759 thousand Euro surplus as at 31 December 2021. In the fourth quarter of 2022 alone, the adjusted net financial position increased from a 352,762 thousand Euro surplus as at 30 September 2022 to 371,249 thousand Euro at the end of the year, up 18,487 thousand Euro thanks to 38.0 million Euro in adjusted cash flows from operating activities for the period net of 25.4 million Euro in cash flows used for investments in the fourth quarter.

Revenues

For a more detailed performance analysis, the representation of Net sales by distribution channel, geographic area and product category is shown below, excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on Revenues). The data for 2021 is shown again for comparison purposes.

The breakdown of revenues by **distribution channel** was as follows:

(In thousands of Euro)	2022	% of Revenues	2021*	% of Revenues	% change	at constant exchange rates % change
Retail	923,507	73.8%	829,754	73.0%	11.3%	4.7%
Wholesale	336,174	26.9%	295,991	26.1%	13.6%	6.3%
Net sales	**1,259,681**	**100.7%**	**1,125,745**	**99.1%**	**11.9%**	**5.1%**
Cash flow hedging effect on revenues	(25,664)	(2.1%)	(332)	0.0%	na	-
Licenses and services	14,890	1.2%	7,746	0.7%	92.2%	92.2%
Rental income investment properties	2,901	0.2%	2,361	0.2%	22.9%	9.4%
Total	**1,251,808**	**100.0%**	**1,135,520**	**100.0%**	**10.2%**	**5.7%**

* The data for 2021 is shown again for comparison purposes, for a different presentation of revenues by channel.

In 2022, retail sales were up 11.3% at current exchange rates and 4.7% at constant exchange rates. The retail channel accounted for 73.0% of total revenues in 2021 and 73.8% in 2022.
The number of directly operated stores (DOS) decreased by 20 units, from 409 to 389, compared with 31 December 2021, as part of the implementation of the new strategic plan to optimize the Group's distribution network in the most important and prestigious locations.

The wholesale channel saw sales rise by 13.6% at current exchange rates and 6.3% at constant exchange rates.

The Cash flow hedging effect on Revenues item represents the impact of the hedging revenues policy from the risk of foreign exchange fluctuations and resulted in a negative adjustment on revenues in 2022 amounting to 25,664 thousand Euro, compared to a negative adjustment of 332 thousand Euro registered in 2021.

In 2022, revenues from licenses and services increased by 92.2% at both current and constant exchange rates; this item mainly consists of royalties for the licensing of the Salvatore Ferragamo brand to the Marchon group in the eyewear industry, the Timex group in the watch industry, and, since October 2021, the Inter Parfums group in the fragrances industry.

Revenues from rental income investment properties refer solely to the management of property located in the United States and leased/sub-leased to third parties; the item increased by 22.9% at current exchange rates and 9.4% at constant exchange rates.

The following table shows Net sales by **geographic area** and the change over the previous year:

(In thousands of Euro)	2022	% of Net sales	2021*	% of Net sales	% change	at constant exchange rates % change
Europe	261,800	20.8%	209,987	18.7%	24.7%	24.6%
North America	391,308	31.1%	319,929	28.4%	22.3%	8.8%
Japan	99,123	7.9%	88,595	7.9%	11.9%	18.9%
Asia Pacific	417,632	33.1%	437,999	38.9%	(4.7%)	(10.6%)
Central and South America	89,818	7.1%	69,235	6.1%	29.7%	14.7%
Net sales	**1,259,681**	**100.0%**	**1,125,745**	**100.0%**	**11.9%**	**5.1%**

* For a more detailed performance analysis, the representation of Net sales by geographic area is shown excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on Revenues). The data for 2021 is shown again for comparison purposes.

In Europe, net sales increased 24.7% at current exchange rates and 24.6% at constant exchange rates compared to last year, driven by growth in the retail channel.

In North America, net sales were up 22.3% at current exchange rates (+8.8% at constant exchange rates), showing improvements in both the wholesale and retail channels.

In Japan, revenues grew by 11.9% at current exchange rates and 18.9% at constant exchange rates.

The Asia-Pacific region made once again the largest contribution to the Group's revenues, accounting for 33.1% of the total, although it was affected, especially with respect to the retail channel in China, by tighter restrictions on business operations and people (so-called lockdown) as a result of the Chinese government's "zero-Covid" strategy, down 4.7% at current exchange rates (10.6% at constant exchange rates) compared to 2021.

The Central and South American market was up 29.7% at current exchange rates and 14.7% at constant exchange rates in 2022, thanks to growth in both sales channels. The revenues generated in 2022 and 2021 by Ferragamo Argentina S.A. (which operates in a country classified as a hyperinflationary economy since 1 July 2018) were adjusted in accordance with the relevant international accounting standards (see note 2 "Basis of presentation" in the Explanatory Notes to the Consolidated Financial Statements), resulting in a positive impact of 776 thousand Euro in 2022 and 243 thousand Euro in 2021.

The following table shows Net sales by **product category** and the change over the previous year:

(In thousands of Euro)	2022	% of Net sales	2021*	% of Net sales	% change	at constant exchange rates % change
Footwear	564,263	44.8%	486,488	43.2%	16.0%	8.0%
Leather goods	525,520	41.7%	495,886	44.1%	6.0%	0.1%
Apparel	83,672	6.6%	69,898	6.2%	19.7%	13.9%
Accessories	81,670	6.5%	69,166	6.1%	18.1%	12.3%
Fragrances	4,556	0.4%	4,307	0.4%	5.8%	(2.4%)
Net sales	**1,259,681**	**100.0%**	**1,125,745**	**100.0%**	**11.9%**	**5.1%**

* For a more detailed performance analysis, the representation of Net sales by product category is shown excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on Revenues). The data for 2021 is shown again for comparison purposes.

All main product categories saw a significant increase in turnover compared to 2021, with footwear and leather goods accounting for 44.8% and 41.7% of turnover in 2022, respectively (up 16.0% and 6.0%, respectively, at current exchange rates).

Cost of goods sold and gross profit

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Consumables	(186,333)	(14.9%)	(231,034)	(20.3%)	(19.3%)
Services	(158,088)	(12.6%)	(116,775)	(10.3%)	35.4%
Personnel	(6,262)	(0.5%)	(6,753)	(0.6%)	(7.3%)
Depreciation	(10)	(0.0%)	(14)	(0.0%)	(28.6%)
Cost of goods sold	**(350,693)**	**(28.0%)**	**(354,576)**	**(31.2%)**	**(1.1%)**
Gross profit	**901,115**	**72.0%**	**780,944**	**68.8%**	**15.4%**

In 2022, the **cost of goods sold** amounted to 350,693 thousand Euro, down 1.1% compared to 2021. Gross profit amounted to 72.0% of revenues in 2022 compared to 68.8% recorded in 2021, positively influenced by better profitability in all sales channels, the more than proportional improvement in sales at full price and favorable exchange rate trends.

Style, product development and logistics costs

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Purchases	(5,587)	(0.4%)	(4,066)	(0.4%)	37.4%
Services	(18,687)	(1.5%)	(12,077)	(1.1%)	54.7%
Personnel	(22,159)	(1.8%)	(21,674)	(1.9%)	2.2%
Depreciation	(2,830)	(0.2%)	(3,091)	(0.3%)	(8.4%)
Total	**(49,263)**	**(3.9%)**	**(40,908)**	**(3.6%)**	**20.4%**

These costs, which include the cost of creative departments and freight to deliver products to their markets, increased by 20.4% compared to 2021, supporting revenue growth and reflecting inflationary pressures, particularly in transport costs.

Sales & distribution costs

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Retail	(426,505)	(34.1%)	(380,852)	(33.5%)	12.0%
Wholesale	(17,912)	(1.4%)	(19,025)	(1.7%)	(5.9%)
Distribution logistics	(8,750)	(0.7%)	(7,967)	(0.7%)	9.8%
Total	**(453,167)**	**(36.2%)**	**(407,844)**	**(35.9%)**	**11.1%**

The costs relating to the network of directly operated stores (DOS) increased by 12.0%, from 380,852 thousand Euro to 426,505 thousand Euro; this increase is due both to the increase in variable costs, linked to the growth in revenues, and to the appreciation during the period of the main currencies other than the Euro in which the Group incurs part of its distribution costs, as well as to lower contributions received, compared to last year, for employment support and renegotiations of lease payments. The impact of these costs on total sales and distribution costs rose from 33.5% in 2021 to 34.1% in 2022.

Below is a breakdown by nature of sales and distribution costs:

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Purchases	(6,579)	(0.5%)	(6,084)	(0.5%)	8.1%
Services	(163,861)	(13.1%)	(146,836)	(12.9%)	11.6%
Personnel	(147,204)	(11.8%)	(131,592)	(11.6%)	11.9%
Depreciation	(135,137)	(10.8%)	(123,332)	(10.9%)	9.6%
Write-downs of tangible/intangible assets	(386)	(0.0%)	-	-	na
Total	**(453,167)**	**(36.2%)**	**(407,844)**	**(35.9%)**	**11.1%**

Marketing & communication costs

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Purchases	(2,085)	(0.2%)	(1,007)	(0.1%)	107.1%
Services	(75,920)	(6.1%)	(53,218)	(4.7%)	42.7%
Personnel	(13,892)	(1.1%)	(11,972)	(1.1%)	16.0%
Depreciation	(167)	(0.0%)	(182)	(0.0%)	(8.2%)
Total	**(92,064)**	**(7.4%)**	**(66,379)**	**(5.8%)**	**38.7%**

Total marketing & communication costs increased by 38.7% compared to 2021 from 66,379 thousand Euro to 92,064 thousand Euro, mainly due to the impact, from the third quarter onwards, of the actions taken by management to implement the brand relaunch strategy.

General and administrative costs

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Purchases	(2,174)	(0.2%)	(1,866)	(0.2%)	16.5%
Services	(64,437)	(5.1%)	(50,031)	(4.4%)	28.8%
Personnel	(69,776)	(5.6%)	(39,977)	(3.5%)	74.5%
Depreciation	(32,432)	(2.6%)	(34,430)	(3.0%)	(5.8%)
Total	**(168,819)**	**(13.5%)**	**(126,304)**	**(11.1%)**	**33.7%**

Compared to 2021 general and administrative costs were up 33.7%; as a percentage of revenues, they rose from 11.1% in 2021 to 13.5% in 2022. The increase in costs is mainly due to the gradual normalization of the Group's cost structure, following the cost containment measures taken in previous years to cope with the Covid-19 emergency and the strengthening of the organizational structure to implement the strategic plan. Personnel costs include, inter alia, the remuneration related to the employment relationship of the Managing Director and General Manager, including the flat-rate entry fee, the estimate of the variable bonus and remuneration for the period of the two share-based payment plans (for details, please refer to note 40 "Share-based payments" in the explanatory notes to the Consolidated Financial Statements) for a total of 20,669 thousand Euro.

Other operating costs

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Losses on disposal of tangible and intangible assets	(1,343)	(0.1%)	(734)	(0.1%)	83.0%
Windfall losses	(3,015)	(0.2%)	(715)	(0.1%)	321.7%
Provisions for risks and charges	(3,118)	(0.2%)	(2,170)	(0.2%)	43.7%
Write-down of current assets	(1,649)	(0.1%)	(672)	(0.1%)	145.4%
Other operating costs	(19,899)	(1.6%)	(18,423)	(1.6%)	8.0%
Total	**(29,024)**	**(2.3%)**	**(22,714)**	**(2.0%)**	**27.8%**

Other operating costs increased by 27.8% compared to the prior financial period. Other operating costs included 16,816 thousand Euro in Other non-income taxes (15,599 thousand Euro in 2021), largely related to the real estate tax on the Ferragamo USA Group's properties.

The write-down of current assets increased by 977 thousand Euro compared to 2021, and refers to both the provision for bad debt and credit losses after writing off.

The item Windfall losses includes 2,083 thousand Euro incurred by Salvatore Ferragamo S.p.A. to participate in the R&D credit amnesty for the years from 2015 to 2019, in order to adjust the calculation of its receivable to the clarifications made on the software and to correct other calculation errors (for further details see the section "Significant events occurred during the year - Tax and customs disputes and audits"); the item includes windfall losses related to payments made by companies of the Ferragamo USA Group to incorrect bank account details in connection with the fraudulent action of a third party, which occurred during the period from November 2022 to January 2023. Payments made in 2022 and recognized as windfall losses in that year amounted to 0.4 million Euro.

Provisions for risks and charges increased by 948 thousand Euro compared to 2021. They mainly refer to labor and legal disputes related to ongoing legal proceedings as well as the estimated potential outflows from the Group companies required to reach a pre-litigation settlement.

Other income

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Other income and revenues	16,716	1.3%	25,074	2.2%	(33.3%)
Gains on disposal of tangible/intangible assets	9	0.0%	49	0.0%	(81.6%)
Windfall profit	2,435	0.2%	1,562	0.1%	55.9%
Total	**19,160**	**1.5%**	**26,685**	**2.4%**	**(28.2%)**

Other income decreased by 7,525 thousand Euro compared to 2021, down from 2.4% to 1.5% as a proportion of total revenues.

The item "Other income and revenues" includes 2,313 thousand Euro for the non-repayable grant accrued at 31 December 2022 relating to the Innovation Agreement (I-SUCCEED project) signed on 12 January 2021 between the Company, the Ministry of Economic Development and the Tuscany Region, recognized against costs already borne by Salvatore Ferragamo S.p.A. (for further details see "Significant events occurred during the year - Sustainable Growth Fund Incentives – Innovation Agreement"); the item also included the research and development, design and aesthetic conception, and technological innovation tax credits, as well as the "Art Bonus" tax credit for donations in support of cultural activities to which the Parent company was entitled, as well as other benefits granted by various governments in the countries in which the Group operates to help businesses and the economy to overcome the economic crisis caused by the Covid-19 pandemic. In total, grants and tax credits and other benefits decreased by 1.7 million Euro compared to the year 2021. In addition, this line item largely comprised the recovery and reimbursement of expenses, advertising contributions, grants received from lessors for leasehold improvements recognized on a straight-line basis over the lease term, and insurance claims payments. In 2021, the latter included the 5.1 million Euro insurance payout that Ferragamo USA Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020.

Net financial income and charges

For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the consolidated financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Net interest	707	(632)	1,339
Other net income/(charges)	(1,666)	(2,744)	1,078
Net interest and expenses on lease liabilities	(10,915)	(13,467)	2,552
Net gains/(losses) on exchange rate differences	3,024	12,265	(9,241)
Net financial income/(charges) for fair value adjustment of derivatives	(17,926)	(16,284)	(1,642)
Total	**(26,776)**	**(20,862)**	**(5,914)**

Total net financial income and charges recorded a negative result of 26,776 thousand Euro, a deterioration of 5,914 thousand Euro compared to 2021, mainly due to currency trends. Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses on exchange rate differences should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedging derivatives. The net impact of these two line items, Net gains/(losses) on exchange rate differences and Net financial income/(charges) for fair value adjustment of derivatives, shifted from a negative 4,019 thousand Euro in 2021 to a negative 14,902 thousand Euro in 2022.
Net interest and expenses on lease liabilities were down from 13,467 thousand Euro in 2021 to 10,915 thousand Euro in 2022.

Income taxes

The change in income taxes was as follows:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Profit/(loss) before taxes	**101,162**	**122,618**	**(21,456)**
Current and deferred taxes	(33,875)	(36,039)	2,164
Provision for taxes from previous years	(1,935)	(250)	(1,685)
Tax rate	**35.4%**	**29.6%**	

The effective tax rate for 2022 was 35.4%. In 2022, the Provision for taxes from previous years included 1,917 thousand Euro set aside for the tax audit of Ferragamo Deutschland GmbH, relating to the tax years 2011-2014 that started in 2016; for more details, see the section "Significant events occurred during the year - Tax and customs disputes and audits". In 2021, it included 250 thousand Euro set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see the section "Significant events occurred during the year - Tax and customs disputes and audits". By adjusting the tax rate for provisions for taxes relating to prior years and including the effects of discontinued operations for the year 2021 in Profit before taxes and Income taxes, the effective tax rate for the years 2022 and 2021 would have been 33.5% and 30.8%, respectively.

Net profit/(loss), minority interests and Group net profit/(loss)

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues
Net profit/(loss) for the period	**65,352**	**5.2%**	**81,137**	**7.1%**
Net profit/(loss) – Group	69,609	5.6%	78,647	6.9%
Net profit/(loss) – minority interests	(4,257)	(0.3%)	2,490	0.2%

The net profit for the period amounted to 65,352 thousand Euro, and the Group reported a consolidated profit of 69,609 thousand Euro, compared to a profit of 78,647 thousand Euro in 2021.

Statement of financial position and Investments

Below is the statement of financial position as at 31 December 2022 reclassified by sources and uses, compared to the position as at 31 December 2021:

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Property, plant and equipment, investment property, intangible assets with a finite useful life and goodwill	260,893	257,179	1.4%
Right-of-use assets	479,724	500,047	(4.1%)
Net working capital	191,400	199,358	(4.0%)
Other non current assets/(liabilities), net	78,489	78,321	0.2%
Other current assets/(liabilities), net	(31,023)	(24,543)	26.4%
Net invested capital	**979,483**	**1,010,362**	**(3.1%)**
Group shareholders' equity	751,810	764,313	(1.6%)
Minority interests	23,599	21,566	9.4%
Shareholders' equity (A)	**775,409**	**785,879**	**(1.3%)**
Net financial debt/(surplus) (B)	**204,074**	**224,483**	**(9.1%)**
Total sources of financing (A+B)	**979,483**	**1,010,362**	**(3.1%)**
Net financial debt/(surplus) (B)	**204,074**	**224,483**	**(9.1%)**
Lease liabilities (C)	575,323	597,242	(3.7%)
Adjusted net financial debt/(surplus) (B-C)	**(371,249)**	**(372,759)**	**(0.4%)**
Adjusted net financial debt/(surplus)/Shareholders' equity	**(47.9%)**	**(47.4%)**	

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Net invested capital (a)	**979,483**	**1,010,362**	**(3.1%)**
Right-of-use assets recognized under Investment property (b)	22,395	25,044	(10.6%)
Right-of-use assets (c)	479,724	500,047	(4.1%)
Adjusted net invested capital (a-b-c)	**477,364**	**485,271**	**(1.6%)**

Property, plant and equipment, Investment property, Goodwill, and Intangible assets with a finite useful life

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Property, plant and equipment	191,564	186,854	2.5%
Investment property	27,747	30,223	(8.2%)
Goodwill	6,679	6,679	-
Intangible assets with a finite useful life	34,903	33,423	4.4%
Total	**260,893**	**257,179**	**1.4%**

The item Property, plant and equipment as at 31 December 2022 consisted of:
- the Sesto Fiorentino industrial complex, the portions of the American properties used in operating activities, and the property owned in Seoul, for a total net value of 84,763 thousand Euro;
- furnishings and renovation work for the chain of directly operated stores, totaling 75,906 thousand Euro;
- other assets, mainly for IT equipment, plant and equipment and tangible assets in progress, for a total net value of 30,895 thousand Euro.

Investment property represents the part of the American properties which is not used for operations and producing income through rental. This item included also Right-of-use assets relating to lease contracts for property leased in the United States, amounting to 22,395 thousand Euro as at 31 December 2022.
The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. – for details, see note 5 Business Combinations of the Consolidated Financial Statements as at 31 December 2020 – and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear.

Intangible assets with a finite useful life largely consist of capitalized costs for the development of business software applications (SAP, ERP, reporting systems, shipping system, e-commerce platform), the know-how acquired in the business combination with Arts S.r.l. and Aura 1 S.r.l., finalized in 2020 (for a net residual value of 4,187 thousand Euro as at 31 December 2022), and the costs incurred to acquire the right to enter into shop rental contracts (the so-called "key money", for a net residual value of 399 thousand Euro as at 31 December 2022). The remainder refers to registration expenses for trademarks, industrial patents and intellectual property rights (software licenses) and intangible assets with a finite useful life in progress.

Investments in fixed assets

During 2022, the Group made investments in tangible and intangible assets for a total amount of 55,863 thousand Euro, of which 41,608 thousand Euro in tangible assets and 14,255 thousand Euro in intangible assets, compared to a total of 44,156 thousand Euro in the previous year.
The most important investments in tangible assets were made in the opening and refurbishment of stores (33.2 million Euro, approximately 80% of total investments in tangible assets). The main investments in intangible assets refer to the development of software to support business processes (totaling 5.2 million Euro, or approximately 37% of total investments in intangible assets), including the developments related to the e-commerce platform, the "Marlin Project" aimed at standardizing the Group's retail information systems relying on SAP, the "New Pos Solution" project aimed at implementing the new cash and back office system, "Oracle Xstore", for the Group's retail channel and the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by creating a single shared "Data Warehouse"), as well as the purchase of software licenses. Investments in intangible assets also include the initial direct costs incurred in 2022 mainly by Ferragamo Brasil Roupas e Acessorios Ltda. (0.7 million Euro) to obtain a larger rented space in one of the stores in São Paulo.

Investments in tangible assets under construction, amounting to 8.3 million Euro, mainly concerned the investments made for the refurbishment and opening of new stores which were not yet operational as at the reporting date, and the construction of improvements at the Osmannoro – Sesto Fiorentino facility of Salvatore Ferragamo S.p.A., including the fitting out of a new Ready-To-Wear atelier department.

Investments in intangible assets under construction, amounting to 4.9 million Euro, are mainly represented by the investment in software development to support business processes, including: the further development of the e-commerce platform (including, among others, developments related to the global strategic partnership with the e-commerce platform of Farfetch, one of the leading global platforms in the luxury market) and the RIO "Regional Inventory Optimization" project, which aims to optimize the management of the regional retail warehouse.
During 2022, the Group did not make any investments in financial assets, except as noted below under Net financial debt.

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 50,266 thousand Euro as at 31 December 2022, down from 51,253 thousand Euro in 2021 (-1.9%).

Right-of-use assets

The item, totaling 479,724 thousand Euro as at 31 December 2022, refers to the "Right-of-use assets" recognized against "Lease liabilities" following the application of the accounting standard IFRS 16.
Right-of-use assets relating to lease contracts for property leased in the United States are included under Investment property.

Net working capital

Below is the breakdown and change in net working capital as at 31 December 2022 compared with 31 December 2021.

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Inventories and Right of return assets	281,026	279,790	0.4%
Trade receivables	94,490	112,670	(16.1%)
Trade payables and Refund liabilities	(184,116)	(193,102)	(4.7%)
Total	**191,400**	**199,358**	**(4.0%)**

Net working capital decreased by 4.0% compared to 31 December 2021, mainly due to the decrease in Trade receivables, mitigated by the decrease in Trade payables and Refund liabilities.

Specifically, inventories of finished products were up 15,031 thousand Euro compared to 31 December 2021 (+6.3%), while raw materials for production were down 38.5% or 14,274 thousand Euro compared to 31 December 2021, and depend on production volumes for the period.

Trade receivables declined by 18,180 thousand Euro from 31 December 2021 (-16.1%) and essentially referred to sales in the wholesale channel.

Trade payables mainly refer to purchases of production materials (raw materials and accessories), finished products, and costs relating to outsourced manufacturing.

Other non current assets/(liabilities), net

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Other non current assets	5,860	5,732	2.2%
Other non current financial assets	15,570	15,659	(0.6%)
Deferred tax assets	109,090	105,468	3.4%
Total other non current assets	**130,520**	**126,859**	**2.9%**
Provisions for risks and charges	(21,251)	(20,732)	2.5%
Employee benefit liabilities	(7,581)	(8,970)	(15.5%)
Other non current liabilities	(17,128)	(15,456)	10.8%
Deferred tax liabilities	(6,071)	(3,380)	79.6%
Total other non current liabilities	**(52,031)**	**(48,538)**	**7.2%**
Other non current assets/(liabilities), net	**78,489**	**78,321**	**0.2%**

"Other non current assets" mainly consist of:
- the straight lining of rental income from the American real estate business for 811 thousand Euro (726 thousand Euro in 2021);
- the non current portion of prepaid expenses, largely related to contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 2,757 thousand Euro (3,091 thousand Euro as at 31 December 2021).

"Other non current financial assets" mainly consist of guarantee deposits relating to existing lease contracts.

"Deferred tax assets" mainly consist of taxes calculated on the elimination of unrealized intra-group profits in inventories and those on temporary differences between the profit/(loss) pertaining to the period and the taxable income of the Group companies; the net increase compared to 31 December 2021 was mainly due to deferred tax assets arising from the elimination of unrealized intra-group profits in inventories, offset by a decrease due to the use of previous tax losses mainly of Salvatore Ferragamo S.p.A.

"Deferred tax liabilities" largely refer to temporary differences between the profit/(loss) for the period and the taxable income of the Group companies. They were up 2,691 thousand Euro from 31 December 2021, largely because of the increase in deferred tax liabilities on the cash flow hedge reserve.

"Other non-current liabilities" mainly refer to the straight-lining of the non current portion of the amounts received from lessors for the costs incurred to fit out the stores (14,949 thousand Euro as at 31 December 2022); in total, the item increased by 1,672 thousand Euro compared to 31 December 2021, mainly due to the recognition of the payable to the Managing Director and General Manager for the cash portion of the medium-long term incentive plan with share-based payments, called "Special Award 2022-2026", for details of which reference should be made to Note 40 of the explanatory notes to the Consolidated Financial Statements.

Other current assets/(liabilities), net

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Tax receivables	30,581	27,512	11.2%
Other current assets	41,447	32,606	27.1%
Total other current assets	**72,028**	**60,118**	**19.8%**
Tax payables	(25,216)	(25,732)	(2.0%)
Other current liabilities	(77,835)	(58,929)	32.1%
Total other current liabilities	**(103,051)**	**(84,661)**	**21.7%**
Other current assets/(liabilities), net	**(31,023)**	**(24,543)**	**26.4%**

"Other current assets" mainly consist of:
- receivables due from credit card management companies for retail sales (15,576 thousand Euro), accrued income and prepaid expenses (9,321 thousand Euro), and advances to suppliers (2,315 thousand Euro);
- the receivable of Salvatore Ferragamo S.p.A., amounting to 2.3 million Euro, from the Tuscany Region and the Ministry of Economic Development, related to the partial payment of the Incentives for Sustainable Growth (I-SUCCEED project). For details on the project, please refer to the "Significant events occurred during the year – Other information" section;
- the fair value measurement of hedging derivative contracts for 7,251 thousand Euro (326 thousand Euro in 2021) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

"Other current liabilities" mainly consist of:
- the fair value measurement of hedging derivative contracts for 6,186 thousand Euro (15,206 thousand Euro in 2021) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro;
- the 19,106 thousand Euro IRES payable due from the Holding company Ferragamo Finanziaria S.p.A. of Salvatore Ferragamo S.p.A. under the domestic fiscal unity;
- payables to employees for amounts accrued but not yet paid, payables to social security institutions for contributions to be paid in the period immediately after the reporting date, provisions at the end of the reporting period for other payables to suppliers, accrued expenses and deferred income.

Shareholders' equity

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Group shareholders' equity	751,810	764,313	(1.6%)
Minority interests	23,599	21,566	9.4%
Total	**775,409**	**785,879**	**(1.3%)**

The changes in the Group's share of shareholders' equity are due to the combined effect of the following:
- the 69,609 thousand Euro increase in the profit for the period;
- decrease of 56,735 thousand Euro as a result of the dividends paid by the Parent company Salvatore Ferragamo S.p.A.;
- the 3,655 thousand Euro increase attributable to the translation into Euro of the financial statements of subsidiaries denominated in other currencies, and the 471 thousand Euro increase resulting from other translation effects;
- the 42,670 thousand Euro decline resulting from the purchases of Salvatore Ferragamo S.p.A shares made by the Parent company during 2022;
- increase of 5,123 thousand Euro due to the increase in the Stock Grant reserve, relating to the two outstanding share-based payment plans;
- the 13,620 thousand Euro increase resulting from the measurement of hedging derivatives net of the relevant tax effect;
- decrease of 6,659 thousand Euro due to the increase in the investment of Salvatore Ferragamo S.p.A. in the share capital of Ferragamo Japan K.K., whose investment went from 71.00% to 89.13% of the relative share capital, through the subscription of 5,000 new shares of the Japanese subsidiary, for details of which see the section "Significant events occurred during the year";
- minor positive effects totaling 1,083 thousand Euro.

Net financial debt

Net financial debt as at 31 December 2022 and 31 December 2021 was as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Cash and cash equivalents (A)	391,354	511,796	(23.5%)
Other current financial assets (B)	10,255	596	>100%
Interest-bearing loans & borrowings (C)	29,264	139,120	(79.0%)
Other financial liabilities (D)	1,096	513	>100%
Lease liabilities (E)	575,323	597,242	(3.7%)
Net financial debt/(surplus) (C + D + E – A – B)	**204,074**	**224,483**	**(9.1%)**

Net financial debt as at 31 December 2022, including lease liabilities, shifted from 224,483 thousand Euro as at 31 December 2021 to 204,074 thousand Euro as at 31 December 2022, largely because of the decrease in interest-bearing loans and borrowings during the year. During 2022, the Group used part of its cash surpluses to repay some of its main outstanding medium/long-term loans early, with respect to the original maturity date, for an amount of 85 million Euro, thus reducing its bank debt. Moreover, the company Salvatore Ferragamo S.p.A., with a view to moderately diversifying the management of its cash, made an insurance investment in a readily adjustable Type I policy for 9,999 thousand Euro.

Net financial debt, excluding lease liabilities, as at 31 December 2022 and 2021 was restated as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Net financial debt/(surplus) (a)	**204,074**	**224,483**	**(9.1%)**
Non current lease liabilities	468,737	487,230	(3.8%)
Current lease liabilities	106,586	110,012	(3.1%)
Lease liabilities (b)	**575,323**	**597,242**	**(3.7%)**
Adjusted net financial debt/(surplus) (a-b)	**(371,249)**	**(372,759)**	**(0.4%)**

The Group ended 2022 with a positive adjusted net financial position (surplus) of 371,249 thousand Euro, down 1,510 thousand Euro from the prior year. This was largely due to a positive 152,462 thousand Euro in adjusted cash flows from operating activities, net of the cash used to invest in tangible and intangible assets during 2022 (55,863 thousand Euro), pay dividends (56,733 thousand Euro) approved by the Parent company and buy back shares (42,670 thousand Euro) in 2022.

Income and financial indicators

The tables below set out the trend in the main income and financial indicators for the years ended 31 December 2022 and 2021.

These indicators are based on the data from the consolidated financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and financial statements prepared in accordance with the relevant accounting standards (IFRS) described in this document.

Profitability ratios	**2022**	**2021**
ROE (*Group net profit/(loss) for the period / Average Group shareholders' equity*)	9.2%	10.8%
ROI (*Operating profit/(loss) / Net average invested capital*)	12.9%	13.4%
ROS (*Operating profit/(loss) / Revenues*)	10.2%	12.6%

Financial ratios	**2022**	**2021**
Coverage of shareholders' equity ratio (*Shareholders' equity / Non current assets*)	89.0%	88.9%
Liquidity ratio (*Current assets excluding Inventories / Current liabilities*)	135.3%	148.8%

Turnover ratios expressed in days	**2022**	**2021**
Turnover of Trade receivables (*Average value of Trade receivables in the period / Revenues x days*)	30	36
Turnover of Trade payables (*Average value of Trade payables in the period / Purchases of goods and services x days*)	96	94
Inventory turnover (*Average value of Inventories in the period / Cost of goods sold x days*)	286	317
Turnover of Average invested capital (*Average value of Net invested capital / Revenues x days*)	290	345

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

5. Operating performance of the Parent company Salvatore Ferragamo S.p.A.

The tables set out below and the relevant comments have been prepared on the basis of the separate financial statements as at 31 December 2022, to which reference should be made. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/2005.

The following table shows the main income statement indicators.

(In thousands of Euro)	2022	% of Revenues	2021	% of Revenues	% change
Revenues	**740,234**	**100.0%**	**564,003**	**100.0%**	**31.2%**
Change in inventories of finished products	8,033	1.1%	(21,823)	(3.9%)	(136.8%)
Costs for raw materials, goods and consumables	(190,138)	(25.7%)	(150,135)	(26.6%)	26.6%
Costs for services	(269,309)	(36.4%)	(202,286)	(35.9%)	33.1%
Personnel costs	(98,425)	(13.3%)	(70,173)	(12.4%)	40.3%
Amortization, depreciation and write-downs	(39,288)	(5.3%)	(40,206)	(7.1%)	(2.3%)
Other operating costs	(29,752)	(4.0%)	(34,894)	(6.2%)	(14.7%)
Other income	22,519	3.0%	15,709	2.8%	43.4%
Total costs (net of other income)	**(596,360)**	**(80.6%)**	**(503,808)**	**(89.3%)**	**18.4%**
Operating profit/(loss)	**143,874**	**19.4%**	**60,195**	**10.7%**	**139.0%**
Net financial (charges)/income	(18,165)	(2.5%)	(9,043)	(1.6%)	100.9%
Profit/(loss) before taxes	**125,709**	**17.0%**	**51,152**	**9.1%**	**145.8%**
Income taxes	(36,470)	(4.9%)	(11,482)	(2.0%)	217.6%
Tax rate	*29.0%*		*22.4%*		
Net profit/(loss) from continuing operations	**89,239**	**12.1%**	**39,670**	**7.0%**	**125.0%**
Net profit/(loss) from discontinued operations	-	-	(6,870)	(1.2%)	na
Net profit/(loss) for the period	**89,239**	**12.1%**	**32,800**	**5.8%**	**172.1%**
EBITDA	**183,162**	**24.7%**	**100,401**	**17.8%**	**82.4%**

The results for 2022 show a significant improvement compared to 2021, both in terms of revenues (+31.2%) and margins, despite the still uncertain macroeconomic environment negatively affected by both the dramatic events of the Russia-Ukraine conflict and its consequences on the increase in raw material and energy prices, as well as by the persistence of the Covid-19 pandemic, which has led to new restrictions and barriers on commercial activities and people, particularly in China.

The Company's **revenues** totaled 740,234 thousand Euro, up 31.2% from 564,003 thousand Euro in 2021.

The increase in total operating costs is primarily attributable to the growth of revenues and the progressive normalization of the Company's cost structure, which has not yet returned to pre-pandemic levels. In this regard, it is worth noting the measures taken by management to implement the brand re-launch strategy, which resulted in higher costs for strengthening communication and marketing activities as well as organizational structure. Net operating costs as a percentage of revenue decreased from 89.3% to 80.6%, which, together with the increase in revenues, led to an improvement in **operating profit** of 83,379 thousand Euro.

EBITDA was up 82,761 thousand Euro from 100,401 thousand Euro to 183,162 thousand Euro, and from 17.8% in 2021 to 24.7% in 2022 as a percentage of revenues.

The following table shows **net financial income and charges** and the change compared to 2021. For ease of reference, financial income and charges are shown net; reference should be made to the Explanatory notes to the separate financial statements for separate and detailed information on charges and income.

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Dividends from investments	11,212	10,564	648
Net financial income/(charges) for fair value adjustment of derivatives	(17,925)	(16,180)	(1,745)
Restatement value/(write-downs) of investments	(14,536)	(10,837)	(3,699)
Net gains/(losses) on exchange rate differences	5,538	11,186	(5,648)
Net interest expense on lease liabilities	(2,701)	(2,870)	169
Other net income/(charges)	(1,266)	(1,493)	227
Net interest	1,513	587	926
Total	**(18,165)**	**(9,043)**	**(9,122)**

Total Net financial income and charges declined over 2021, totaling 18,165 thousand Euro in charges compared to 9,043 thousand Euro in charges in the prior year. Net gains and losses on exchange rate differences mainly reflect the impact of commercial transactions in foreign currency. Changes in net gains and losses on exchange rate differences should be correlated with the item "Net financial income/(charges) for fair value adjustment of derivatives", which refers to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Company and the changes in the fair value of non-hedging derivatives.

The 125,709 thousand Euro **profit before taxes** caused the Company to recognize 36,470 thousand Euro in taxes (with a 29.0% tax rate), whereas in 2021 the Company had posted a 51,152 thousand Euro profit before taxes, recognizing 11,482 thousand Euro in taxes.

Compared to 2021, the Company 's tax rate increased slightly from 25.8% (including the tax effect of the divested Fragrances Business) to 29.0%. This increase is mainly due to the recognition of foreign withholding taxes on dividends received during the year and the different tax base for trade income tax compared to the tax base for IRES purposes. Note that both 2022 and 2021 do not include the benefit of the Patent Box. For more details, please refer to "Significant events occurred during the year - Patent Box and Research and development, design, and innovation credits".

The Company reported an 89,239 thousand Euro **net profit for the period**, a significant improvement compared to 32,800 thousand Euro in 2021.

Revenues

The following table shows revenues by **distribution channel** and the change over the previous year:

(In thousands of Euro)	2022	% of Revenues	2021*	% of Revenues	% change
Wholesale	671,317	90.7%	500,664	88.8%	34.1%
Retail+E-commerce	62,489	8.5%	41,317	7.3%	51.2%
Net sales	**733,806**	**99.1%**	**541,981**	**96.1%**	**35.4%**
Cash flow hedging effect on revenues	(25,664)	(3.5%)	(332)	(0.1%)	na
Revenues from royalties	11,898	1.6%	6,473	1.2%	83.8%
Other income and services	20,194	2.7%	15,881	2.8%	27.2%
Revenues	**740,234**	**100.0%**	**564,003**	**100.0%**	**31.2%**

* The data for the period ended 31 December 2021 is shown again for comparison purposes, for a different presentation of revenues by channel.

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, sales to retailers, and show a significant increase compared to the previous year.

Retail + e-commerce sales, which refer to the revenues generated by directly operated stores (DOS) in Italy and e-commerce sales in Europe, were up 51.2% from 2021, with significant growth in the retail channel (+70.1%).
Revenues from royalties refer mainly to revenues from the licensing of the Salvatore Ferragamo brand with reference to the eyewear, watches, and fragrances product categories.

The item "Other income and services" mainly includes other revenues from Group companies and the recovery of freight and packaging costs.

The following table shows the Net sales by **geographic area** and the change over the previous year.

(In thousands of Euro)	2022	% of Net sales	2021*	% of Net sales	% change
Italy	117,534	16.0%	96,266	17.8%	22.1%
Europe (excluding Italy)	92,518	12.6%	70,896	13.1%	30.5%
North America	231,523	31.6%	123,745	22.8%	87.1%
Asia Pacific	208,849	28.5%	195,096	36.0%	7.0%
Japan	46,411	6.3%	26,086	4.8%	77.9%
Central and South America	36,971	5.0%	29,892	5.5%	23.7%
Net sales	**733,806**	**100.0%**	**541,981**	**100.0%**	**35.4%**

* For a more detailed performance analysis, the representation of Net sales by geographic area is shown excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on Revenues). The data for 2021 is shown again for comparison purposes.

The Italian market grew by 22.1%, while the European market grew by 30.5%. The other geographic regions also recorded a positive trend in net sales compared to 2021.

In particular, net sales to the North American region grew by 87.1% and consolidated as the Company's largest market, accounting for 31.6% of total net sales, while the Asia-Pacific region recorded a 7.0% increase in sales compared to 2021.

Sales rose by 77.9% in Japan and 23.7% in Central and South America.

The following table shows the Net sales by **product category** and the change over the previous year.

(In thousands of Euro)	2022	% of Net sales	2021*	% of Net sales	% change
Footwear	308,608	42.1%	228,026	42.1%	35.3%
Leather goods	324,014	44.2%	246,193	45.4%	31.6%
Apparel	52,550	7.1%	36,921	6.8%	42.3%
Accessories and other products	48,634	6.6%	30,841	5.7%	57.7%
Net sales	**733,806**	**100.0%**	**541,981**	**100.0%**	**35.4%**

* For a more detailed performance analysis, the representation of Net sales by product category is shown excluding the effect of hedging against exchange rate risk on Revenues (Cash flow hedging effect on Revenues). The data for 2021 is shown again for comparison purposes.

All product categories show a significant increase compared to 2021, with footwear and leather goods accounting for 86.3% of total net sales.

Statement of financial position and Investments

Below is the statement of financial position as at 31 December 2022 reclassified by sources and uses, compared to the position as at 31 December 2021.

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Property, plant and equipment, intangible assets with a finite useful life, and goodwill	134,472	136,028	(1.1%)
Right-of-use assets	117,210	104,744	11.9%
Net working capital	81,105	89,119	(9.0%)
Other non current assets/(liabilities), net	117,838	115,813	1.7%
Other current assets/(liabilities), net	(28,620)	(13,575)	110.8%
Net invested capital	**422,005**	**432,129**	**(2.3%)**
Shareholders' equity (A)	**674,881**	**665,822**	**1.4%**
Net financial debt/(surplus) (B)	**(252,876)**	**(233,693)**	**8.2%**
Total sources of financing (A+B)	**422,005**	**432,129**	**(2.3%)**
Net financial debt/(surplus) (B)	**(252,876)**	**(233,693)**	**8.2%**
Lease liabilities (C)	125,925	111,629	12.8%
Adjusted net financial debt/(surplus) (B-C)	**(378,801)**	**(345,322)**	**9.7%**
Adjusted net financial debt/Shareholders' equity	**(56.1%)**	**(51.9%)**	

Investments in fixed assets

During 2022, the Company made investments in tangible and intangible assets for a total amount of 20,820 thousand Euro, of which 8,361 thousand Euro in tangible assets and 12,459 thousand Euro in intangible assets, compared to a total of 12,020 thousand Euro in the previous year.

The most important investments in tangible assets referred to the works carried out at the Osmannoro – Sesto Fiorentino facility (in particular, the cost of fitting out a new RTW atelier department) as well as the refurbishment of stores of the Italian chain.

The main investments in intangible assets refer to the development of software to support business processes, including the "New Pos Solution" project aimed at implementing the new cash and back office system, "Oracle Xstore", for the Group's retail channel (the first phase of the project was completed at the end of 2022), the "Marlin Project" aimed at standardizing the information systems (retail system on SAP platform), the Enterprise Business Intelligence project (aimed at rationalizing corporate reporting and analytics systems by creating a single shared "Data Warehouse"), investments in the e-commerce platform and the purchase of software licenses.

Investments in tangible assets under construction amounted to 4.3 million Euro and mainly concerned works yet to be completed at the Osmannoro – Sesto Fiorentino facility, including the aforementioned fitting out of a new RTW atelier department.

Investments in intangible assets under construction amounting to approximately 4.9 million Euro are mainly represented by the investment in software development to support business processes, including: investments in the e-commerce platform (including, among others, developments related to the global strategic partnership with the e-commerce platform of Farfetch) and the investments related to the subsequent releases of the RIO "Regional Inventory Optimization" project, which aims to optimize the management of the regional retail warehouse.

Amortization and depreciation (excluding depreciation of the Right-of-use assets) totaled 22,321 thousand Euro as at 31 December 2022, compared to 24,029 thousand Euro as at 31 December 2021.

On 27 July 2022, the Company subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital. The transaction aims to strengthen the Salvatore Ferragamo Group's presence in Japan, providing Ferragamo Japan K.K. with greater financial resources to develop the local business.

For further information on investments in financial assets, please refer to the following comments under net financial debt/(surplus).

Net working capital

Below is the breakdown and change in **net working capital** as at 31 December 2022 compared with 31 December 2021.

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Inventories and Right of return assets	86,032	92,274	(6.8%)
Trade receivables	161,114	165,077	(2.4%)
Trade payables and Refund liabilities	(166,041)	(168,232)	(1.3%)
Total	**81,105**	**89,119**	**(9.0%)**

Net working capital decreased by 9.0%. Inventories and right of return assets were down 6,242 thousand Euro overall, i.e. 6.8%, the 14,274 thousand Euro decrease in inventories of raw materials for production was partly offset by the 8,032 thousand Euro increase in inventories of finished products and right of return assets (including a 895 thousand Euro increase referring to the change in right of return assets, totaling 12,654 thousand Euro as at 31 December 2022).

Trade receivables totaled 161,114 thousand Euro, down slightly from 2021, and included 135,492 thousand Euro in receivables from subsidiaries (131,116 thousand Euro in 2021) and 25,622 thousand Euro in receivables from third parties (33,961 thousand Euro in 2021, down 24.6%).

Trade payables and Refund liabilities amounted to 166,041 thousand Euro (including 22,577 thousand Euro in refund liabilities), essentially in line with 2021 (-1.3%). They largely referred to purchases of production materials, outsourcing costs, and purchases of finished goods.

Net financial debt/(surplus)

Net financial debt/(surplus) as at 31 December 2022 and 31 December 2021 was as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	% change
Cash and cash equivalents (A)	268,833	356,105	(24.5%)
Other current financial assets (B)	132,454	98,903	33.9%
Interest-bearing loans & borrowings (C)	21,390	109,173	(80.4%)
Other current financial liabilities (D)	1,096	513	113.6%
Lease liabilities (E)	125,925	111,629	12.8%
Net financial debt/(surplus) (C + D + E – A – B)	**(252,876)**	**(233,693)**	**8.2%**

The net financial surplus increased from 233,693 thousand Euro as at 31 December 2021 to 252,876 thousand Euro as at 31 December 2022. The Company used part of its cash surpluses to repay the non-current term loans in advance of their original maturity date, thereby eliminating its bank debt. In 2022, in order to manage cash and liquidity more efficiently at Group level, the Company entered into a cash pooling agreement with a number of subsidiaries. Finally, at the end of 2022, the Company, with a view to moderately diversifying the management of its cash, made an insurance investment in a readily adjustable Type I policy.

Net financial debt/(surplus), excluding lease liabilities, as at 31 December 2022 and 31 December 2021 was restated as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Net financial debt/(surplus) (a)	**(252,876)**	**(233,693)**	**(19,183)**
Non current lease liabilities	111,674	96,452	15,222
Current lease liabilities	14,251	15,177	(926)
Lease liabilities (b)	**125,925**	**111,629**	**14,296**
Adjusted net financial debt/(surplus) (a-b)	**(378,801)**	**(345,322)**	**(33,479)**

2022 ended with a positive adjusted net financial position amounting to 378,801 thousand Euro, up from 345,322 thousand Euro as at 31 December 2021. The net financial position of the Company continues to be very positive; the change was mainly affected by the cash generation from adjusted operating activities of 180,126 thousand Euro, net of the cash absorption resulting from i) investments in tangible and intangible assets made during the year 2022 (amounting to 20,820 thousand Euro), ii) the payment of dividends (for 56,733 thousand Euro), iii) the subscription of new shares of Ferragamo Japan K.K. (for 25,551 thousand Euro), and finally iv) the purchase of treasury shares (totaling 42,670 thousand Euro).

Income and financial indicators

The tables below set out the trend in the main income and financial indicators of the Parent company for the years ended 31 December 2022 and 2021.

These indicators are based on the data from the separate financial statements. To better understand them, they should be read in conjunction with the alternative performance measures and financial statements prepared in accordance with the relevant accounting standards (IFRS) described in this document.

Profitability ratios	**2022**	**2021**
ROE (*Net profit for the period / Average shareholders' equity*)	13.3%	5.0%
ROI (*Operating profit / Net average invested capital*)	33.7%	12.8%
ROS (*Operating profit / Revenues from sales and services*)	19.4%	10.7%

Financial ratios	**2022**	**2021**
Coverage of shareholders' equity ratio (*Shareholders' equity / Non current assets*)	160.6%	161.2%
Liquidity ratio (*Current assets excluding inventories / Current liabilities*)	231.4%	235.4%

Turnover ratios expressed in days	**2022**	**2021**
Turnover of trade receivables *(Average value of Trade receivables in the period / Revenues from sales and services x days)*	80	100
Turnover of trade payables *(Average value of Trade payables in the period / Costs for raw materials, goods and consumables and Costs for services x days)*	116	137
Inventory turnover *(Average value of Inventories in the period / Cost of goods sold x days)*	85	102
Turnover of average invested capital *(Average value of Invested capital / Revenues from sales and services x days)*	211	304

Average value means the simple arithmetic average of the closing balances of the period and of the previous period.

6. Reconciliation between the Parent company's net profit/(loss) for the period and shareholders' equity and the consolidated values of the Group

The reconciliation statement between the Parent company's net profit/(loss) for the period and shareholders' equity, and the corresponding consolidated amounts, is provided below:

	31 December 2022	
(In thousands of Euro)	**Shareholders' equity**	**Net profit/(loss) for the period**
Parent company Salvatore Ferragamo S.p.A. data	**674,881**	**89,239**
Elimination of investments and subsidiaries' contribution to Consolidated Shareholder's Equity	252,645	3,685
Elimination of unrealized profits, deriving from transactions between Group companies, relating to inventories, net of the deferred tax effect	(170,442)	(33,577)
Other consolidation adjustments	18,325	6,005
Total shareholders' equity and net profit/(loss)	**775,409**	**65,352**
Minority interests – shareholders' equity and net profit/(loss)	23,599	(4,257)
Group – shareholders' equity and net profit/(loss)	**751,810**	**69,609**

7. Results of Group companies

The main highlights of subsidiaries are shown in the table below.

(In thousands)		2022		2021	
Company	Currency	Revenues	Shareholders' equity	Revenues	Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	26,810	22,665	21,127	22,268
Ferragamo Japan K.K.	JPY	13,705,863	1,177,142	11,615,759	(3,007,093)
Ferragamo Korea Ltd.	KRW	140,377,040	80,285,051	122,803,691	88,194,233
Ferragamo Espana S.L.	EURO	14,963	4,441	8,969	3,615
Ferrimag Limited	HKD	-	127,507	-	126,415
Ferragamo Retail HK Limited	HKD	127,242	(309,254)	181,652	(198,471)
Ferragamo Retail Taiwan Limited	TWD	740,028	435,405	609,118	364,732
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,365,210	816,688	1,295,421	745,713
Ferragamo Retail Nederland B.V.	EURO	4,836	1,401	2,852	1,246
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,090,683	801,592	1,487,790	776,599
Ferragamo (Singapore) Pte. Ltd.	SGD	24,900	(40,079)	14,520	(35,579)
Ferragamo (Thailand) Limited	THB	279,863	(127,460)	135,854	(152,679)
Ferragamo (Malaysia) Sdn Bhd	MYR	54,214	17,906	28,977	12,897
Ferragamo Hong Kong Ltd.	USD	177,660	119,202	202,154	117,947
Gruppo Ferragamo USA	USD	415,461	100,300	381,504	92,849
Ferragamo Deutschland GmbH	EURO	9,194	2,594	6,494	4,992
Ferragamo Belgique SA	EURO	1,591	714	2,024	692
Ferragamo Monte-Carlo S.A.M.	EURO	830	(828)	369	(465)
Ferragamo (Suisse) SA	CHF	8,553	1,653	7,132	1,546
Ferragamo U.K. Limited	GBP	17,643	5,939	13,383	5,665
Ferragamo France S.A.S.	EURO	20,238	10,787	13,508	9,607
Ferragamo Chile S.A.	CLP	1,193,648	790,193	780,176	(1,034,716)
Ferragamo Austria GmbH	EURO	4,215	4,187	2,797	4,073
Ferragamo Retail India Limited Private Limited	INR	-	(468,541)	-	(441,521)
Ferragamo Retail Macau Limited	MOP	43,611	25,555	82,729	59,253
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	207,974	(44,921)	320,194	7,722
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	59,455	22,538	44,743	22,981
Ferragamo Argentina S.A.	ARS	418,529	48,413	197,463	37,295

8. Significant events occurred during the year

Ordinary Shareholders' Meeting

The Ordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. was held on 12 April 2022 and:

- approved the Separate Financial Statements as at 31 December 2021 and the distribution of a dividend of 0.34 Euro per outstanding ordinary share on the ex-dividend date (net of treasury shares);
- confirmed Marco Gobbetti, already co-opted by the Board of Directors on 14 December 2021, as director of the Company effective 1 January 2022. The Director shall remain in office until the approval of the separate financial statements as at 31 December 2023 along with the rest of the current Board;
- approved the policy concerning the remuneration of the members of the governing body, managers with strategic responsibilities, and the members of the control body for the year 2022, and also voted in favor of Section II of the report on remuneration policy and fees paid, which includes, among other things, a list of the fees paid to said individuals in any capacity and in any form for the year ended 31 December 2021;
- authorized the Board of Directors (i), pursuant to article 2357 of the Italian Civil Code, to buy, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Company or its subsidiaries, shall not exceed 2% of the Company's share capital from time to time, pursuant to article 2357, paragraph 3, of the Italian Civil Code, in accordance with specific terms and conditions; (ii) in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the treasury shares bought, in accordance with specific terms and conditions. With regard to the reasons for the authorization, please refer to the documents made available for the Shareholders' Meeting of 12 April 2022 on the Group's website, in the Governance Section - Shareholders' Meeting 2022 (*https://group.ferragamo.com/en/governance/shareholders-meetings/2022*).

Board of Directors

At the meeting held on 8 March 2022, the Board of Directors approved (i) the draft Separate Financial Statements as at 31 December 2021, the Consolidated Financial Statements as at 31 December 2021, and the Directors' report on operations for 2021, containing the consolidated Non-Financial Statement for 2021 that includes non-financial information pursuant to Legislative Decree no. 254 of 30 December 2016; (ii) the Report on Corporate Governance and Ownership Structure, referring to the year 2021 and prepared by the Company pursuant to art. 123-bis of the Consolidated Law on Finance; (iii) the Report on the remuneration policy for the year 2022 and the fees paid in 2021, prepared pursuant to art. 123-ter of the Consolidated Law on Finance, art. 84-quater and Annex 3A, Scheme 7-bis of CONSOB Regulation no. 11971/1999 as amended, and art. 5 of the Corporate Governance Code for listed companies; and resolved (iv) to convene the Ordinary Shareholders' Meeting for 12 April 2022.

At the same meeting, the Board of Directors also resolved to propose that the Shareholders' Meeting allocate the profit for the year 2021, totaling 32,799,914 Euro, to the Extraordinary Reserve and approve the distribution of part of the profits set aside in the Extraordinary Reserve to shareholders, with a gross dividend of 0.34 Euro per share to each of the ordinary shares outstanding.

On 12 April 2022, following the Shareholders' Meeting, the Board of Directors appointed the Director Marco Gobbetti as Managing Director of the Company and also confirmed him in the role of General Manager. At this meeting, the Director Marco Gobbetti was confirmed to have all the powers of ordinary administration, except for those expressly reserved to the exclusive competence of the Board of Directors.

At the same meeting, the Board of Directors also approved the launch of the program for the purchase of treasury ordinary shares, in implementation of the authorization to purchase and dispose of own shares, approved by the Ordinary Shareholders' Meeting held on the same date.

On 10 May 2022 the highlights of the Salvatore Ferragamo Group's new strategy, approved by the Board of Directors, were presented to the market. The strategy focuses on increasing revenues in the medium to long term, to be achieved through a growing engagement of new and young consumers. The achievement of this objective will be pursued through a series of actions aimed at responding to the continuous evolution of the luxury market context. For more details, please refer to the "Macroeconomic situation and outlook" section of this document.

Incentive plans for the Managing Director and General Manager

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti, as well as any additional recipients of the Ferragamo Group as the Board of Directors may identify in the future: the "Special Award 2022-2026" plan and the "Restricted Shares Plan". These plans became effective on 1 January 2022 for the Managing Director and General Manager.

For more information on the above incentive plans, see note 40 in the Explanatory Notes to the Consolidated Financial Statements, the "Significant events occurred during the year" section in the Annual Report as at 31 December 2021 and the relevant documentation about the Meeting, which is available on the Company's website *http://group.ferragamo.com*, in the *Governance/Shareholders' Meeting 2021/December-14 section*.

Investment in Ferragamo Japan K.K.

On 27 July 2022, Salvatore Ferragamo S.p.A. subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital. The transaction aims to strengthen the Salvatore Ferragamo Group's presence in Japan, providing Ferragamo Japan K.K. with greater financial resources to develop the local business.

Development of the Covid-19 pandemic

During 2022, the health situation related to the Covid-19 pandemic improved, first in Europe and North America, then in Japan and most other Asia Pacific countries, leading to a gradual lifting of previously imposed restrictions. Whereas in China, the zero-Covid policy and the recurrence of the pandemic have led to new and stringent restrictions and barriers on commercial activities and people.

Tourist flows, with the exception of those from China, also picked up during the year.
With the exception of China, which was the only region to report a reduction in revenues, the Covid-19 pandemic had a limited impact on the Ferragamo Group's operations in 2022.
However, the overall impact of the Covid-19 pandemic on the world economy are still uncertain and difficult to define as the deterioration in economic growth forecasts has multiple causes, some of which are indirectly related to the Covid-19 pandemic.

Direct exposure of the Salvatore Ferragamo Group to the Russian-Ukrainian conflict

The conflict in Ukraine, which began in February 2022, has had limited direct impact on the majority of luxury brands, although it has important global implications.

It should be noted that the Group does not hold investments in companies located in the areas currently affected by the conflict, where it operated only through local distributors and with a turnover that did not represent a significant percentage at the Group level. In addition, the Group does not have any suppliers of raw materials in Russia or Ukraine, nor production sites located there. The future evolution of the conflict and its effects in neighboring territories are not foreseeable at this time.

Tax and customs disputes and audits

Updates on ongoing audits

- With reference to the tax audit carried out on Salvatore Ferragamo S.p.A. relating to the pass-through mechanism for CFCs for the years 2012, 2013, and 2014, we report the following. As for the year 2012, Florence's Provincial Tax Commission had upheld in full the Company's appeal in a ruling filed on 24 January 2019. The Office appealed against this ruling; the appeal was rejected by a ruling filed on 11 November 2022, which again granted the Company the right to appeal. The normal deadline for appeals by the Inland Revenue Office (11 May 2022) is extended to 11 February 2024, due to the nine-month suspension of the deadline for appeals introduced by the 2023 Budget Law (Italian Law No. 197/2022, Art. 1, paragraph 199). The Company could take advantage of the institution of the "definition of pending litigation" introduced by the 2023 Budget Law (Article 1, paragraphs 186 et seq.), which allows the closure of pending litigation. In the case under review (defeat of the Office in the second instance), the dispute can be settled by lodging an appeal by 30 June 2023 and paying 15% of the disputed tax (in the present case amounting to 19 thousand Euro). The dispute over the years 2013 and 2014 has been settled, as disclosed in the 2021 Annual Report.
- With reference to the tax audit carried out on Ferragamo France S.A.S., relating to the tax years 2008-2010 and that was started in 2011, as already disclosed in previous years, the audit ended with an objection to the transfer pricing policy applied by the Parent company Salvatore Ferragamo S.p.A.. On 12 December 2012, after declining to change their position in order to reach a settlement, French tax authorities served the company with two assessment notices, confirming their claims as redetermined during the proceeding. For Ferragamo France S.A.S. these claims would entail the payment of around 900 thousand Euro in additional corporate income tax, penalties and interest for 2009 and 2010, as well as the redetermination of the taxable income for the years from 2011 to 2014 as a consequence of the cancellation of previous tax losses (amounting to around 8,925 thousand Euro), with a higher tax of 2,135 thousand Euro. After the administrative appeal was rejected, Ferragamo France S.A.S. filed an appeal

with the administrative tax court. The ruling issued on 28 March 2017 dismissed all claims by French tax authorities, canceling the assessment notices for the years 2009 and 2010 and ordering them to pay legal costs. On 27 September 2018, the Paris Administrative Court of Appeal upheld the first-instance ruling in its entirety and once again ordered the French tax authorities to pay the legal fees. French tax authorities appealed the ruling to the Council of State. At a public hearing in May 2020, the judge-rapporteur found in favor of the company and asked the Council of State to reject the appeal and order French tax authorities to pay the legal fees. Considering the legal complexity of the case, the court deferred a decision to the Council of State in plenary session, which on 23 November 2020 tossed the ruling of the Court of Appeal that had found in favor of the company and returned the case to the Court of Appeal for further proceedings. With this reversal, the Council of State affirmed a legal principle contrary to the one issued in the ruling concerned and remanded the case to the Court of Appeal, which rejected Ferragamo France S.A.S.'s arguments in its ruling of 30 June 2022. The company, convinced of the correctness of its actions, appealed against this decision in September 2022 before the Council of State, whose case is still pending. As the decision of the Court of Appeal is enforceable, the Company paid the requested amounts totaling 3,120 thousand Euro (of which 2,870 thousand Euro was allocated in 2020 and 250 thousand Euro in 2021). On 27 September 2018, French tax authorities launched a new audit into Ferragamo France S.A.S. concerning the income tax and VAT for the fiscal years from 2015 to 2017. The audit ended in November 2019 with the issue of a final audit report that, for the purposes of the transfer pricing applied by the Parent company Salvatore Ferragamo S.p.A. for 2016, required applying the pricing method under the International standard ruling on transfer pricing that the Parent company entered into with Italian taxation authorities in 2017, assessing an additional 688 thousand Euro in taxable income. Ferragamo France S.A.S. paid the amount due and, therefore, on 18 December 2020 the Parent company applied to the Inland Revenue Office for a unilateral downward adjustment pursuant to art. 31-quarter, paragraph 1, lett. c) of Italian Presidential Decree no. 600 of 29 September 1973, as well as the Decision dated 30 May 2018, paragraph 2.3. If the request is granted, the Parent company will be entitled to recovering the taxes paid in Italy on the income corresponding to the amount adjusted to Ferragamo France S.A.S..

- As for the ongoing tax audit involving Ferragamo Deutschland GmbH, relating to the tax years 2011-2014, that was started in 2016, on 7 March 2019 German tax authorities served the final audit report, confirming the approach communicated during the meeting on 28 November 2018. In particular, German tax authorities assessed, on a provisional basis, additional corporate income taxes and interest for the years 2011-2014 for a total amount of 2,523 thousand Euro, resulting in the elimination of previous tax losses. These amounts were confirmed by the payment orders served on Ferragamo Deutschland GmbH on 31 May 2019. Firmly convinced that its actions were lawful (in compliance with the official communication issued by German tax authorities), the Company filed an administrative appeal and requested suspension of payment to the competent authorities. This request was approved. Meanwhile, in December 2020 German tax authorities served similar payment orders on Ferragamo Deutschland GmbH for the fiscal year 2015, claiming 234 thousand Euro in additional taxes. The Company promptly appealed and requested suspension of payment to the competent authorities. With respect to both objections, German tax authorities have taken a position that is at odds with precedent and lacks a strong legal basis. It should also be noted that in a communication dated 21 September 2022, the German tax authorities requested transfer pricing documentation from the company for the years 2016 to 2019, which was filed on 20 October 2022 and accepted by the German tax authorities without objection. Following a dispute between the company and the German tax authorities, in January 2023, the German tax authorities communicated a settlement proposal to the company, which the company decided to accept in order to resolve the dispute and with the benefit of settling the taxes due for the years from 2011 to 2021 in a single agreement, which will be settled by the payment of the payment orders issued by the German tax authorities in 2023. As a result of this decision, Ferragamo Deutschland GmbH set aside a total of 3,022 thousand Euro in 2022 (of which corporate income taxes of 1,132 thousand Euro, regional company tax of 785 thousand Euro and interest of 1,105 thousand Euro), reserving the right to appeal to the courts to reduce the interest rate applied, in line with recent German case law on this matter.
- On 23 March 2017, the Regional Unit of the Tuscany Inland Revenue Office requested Salvatore Ferragamo S.p.A. to file documents concerning 4 separate export transactions that were canceled, and the company replied on 12 April

2017. The Regional Unit of the Tuscany Inland Revenue Office served an assessment notice on Salvatore Ferragamo S.p.A. concerning one of the transactions, assessing an additional 67 thousand Euro VAT liability for the year 2013 plus interest and penalties. Salvatore Ferragamo S.p.A. filed an appeal, which was upheld on 29 January 2019 by the first-instance ruling. The Regional Unit of the Tuscany Inland Revenue Office appealed against the ruling on 11 May 2020. A date for the hearing of the appeal is yet to be scheduled.

In addition to the above, concerning such disputes, the Group believes that, at present, the risk of defeat is no more than possible.

Tax and customs audits commenced during the period

On 20 September 2022, the Regional Unit of the Tuscany Inland Revenue Office – Large Taxpayers Department started a documentary inspection on the tax credits related to research and development activities (pursuant to Article 3 of Italian Law Decree no. 145 of 23 December 2013) from which Salvatore Ferragamo S.p.A. benefited for the fiscal years from 2015 to 2019. The Company has provided the requested documentation and is awaiting a response from the Inland Revenue Office.

Patent Box and Research and Development, Design, and Innovation Credits

With respect to the R&D Tax Credit, please note that, starting from the tax year 2020, the tax credit for investments in research and development as per art. 3 of Italian Law Decree no. 145 of 23 December 2013 (in force until 2019) has been replaced by three separate tax credits, for R&D, design and aesthetic conception, and technological innovation, introduced by art. 1 paragraph 198-209 of Italian Law no. 160 of 27 December 2019 (known as 2020 Budget Law) as amended by art. 1, paragraph 1064 of Italian Law no. 178 of 30 December 2020 (known as 2021 Budget Law). Salvatore Ferragamo S.p.A. estimates 1,611 thousand Euro in credits for 2022. It should be noted that this estimate is gross of the IRES and IRAP benefits due for the Patent Box benefit relating to the year 2022, which cannot be determined at the moment: in fact, as clarified by the Inland Revenue Office in Circular No. 5/E of 24 February 2023, the IRES and IRAP benefits that the Company will receive from the Patent Box must be separated from the relevant costs for the calculation of the R&D, design and aesthetic conception, and technological innovation tax credits.

With respect to the Patent Box, on 16 November 2020 the Company notified the Inland Revenue Office that it would withdraw the application filed on 25 September 2019 for an extension of the advance agreement entered into with the Italian Inland Revenue Office for Advance Agreements on 29 December 2016 to determine the economic contribution in case of direct use of intangible assets. By doing so, the Company intended to enter into the Patent Box self-assessment regime, introduced by article 4 of Italian Law Decree no. 34 of 30 April 2019 (known as Growth Decree), and assess the amount of the benefit on its own. However, as a result of the changes introduced by art. 6 of Italian Law Decree no. 146 of 21 October 2021, converted with the relevant amendments into Law no. 215 of 17 December 2021 (known as 2021 Tax Decree), as amended by Law no. 234 of 30 December 2021 (known as 2022 Budget Law), the Company determined it would benefit from the new Patent Box regime, which raises the deduction for research and development costs associated with copyrighted software, industrial patents, designs, and models (excluding trademarks) used directly or indirectly in business operations for IRES and IRAP purposes to 110%. Therefore, starting from the tax year 2021, Salvatore Ferragamo S.p.A. can benefit from the Patent Box only with respect to designs and models and potentially other intangible assets referred to in the relevant regulation. The basis for calculating the benefit is the exact identification of the eligible assets and expenses, listed in a Decision of the Head of the Inland Revenue Office dated 15 February 2022, partially amended by the new Decision of the Head of the Inland Revenue Office issued on 24 February 2023, and in accordance with the stringent documentation requirements under the Decision and clarified by the Inland Revenue Office in Circular No. 5/E dated 24 February 2023. The Company will be able to determine the exact amount of the benefit for the years 2021 and 2022 after conducting a thorough analysis of the eligible costs and the required documentation in the light of the aforementioned decisions and circular.

International standard ruling on transfer pricing

As for the international standard ruling between Salvatore Ferragamo S.p.A. and the Inland Revenue Office – Central Assessment Department – International Ruling Office, concerning the determination of the transfer pricing policy Salvatore Ferragamo S.p.A. applies to its foreign subsidiaries that perform distribution operations, we report the following.
On 30 September 2021, the Company applied for an extension of the Advance Pricing Agreement ("APA") entered into on 28 July 2017 and effective for the fiscal years from 2017 to 2021. On 13 October 2021, the Inland Revenue Office granted the Company's request for an extension. The relevant process began during the second half of 2022. The renewal process was completed with the signing of a new agreement on 20 December 2022, effective for the further five-year period from 2022 to 2026, which is substantially the same as the Agreement in force for the previous five-year period.

Other information

Adopting the Cooperative Compliance system

On 31 May 2022, Salvatore Ferragamo S.p.A. submitted a request to adopt the Cooperative Compliance system, a procedure that allows the company to maintain a direct, continuous and preventive dialogue with the Inland Revenue Office on the most significant transactions that may give rise to tax risks, in order to share the positions to be taken. In order to access the system, the company adopted a Tax Control Framework, i.e., a system of internal control of tax-related processes to monitor proper compliance, which meets the requirements of the relevant OECD recommendations and Italian regulations.
Under the Tax Control Framework (TCF), Salvatore Ferragamo S.p.A. adopted the following measures:

- Preparation of a tax strategy, both for the Group (Global Tax Strategy) and for the parent company Salvatore Ferragamo S.p.A. (Tax Strategy), both approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 7 September 2021 and published on the institutional website of Salvatore Ferragamo S.p.A;
- appointment of a Tax Risk Officer (TRO) to monitor and update the TCF and to prepare an annual report for the Company's Board of Directors on the progress of the TCF;
- preparation of the Tax Compliance Model, a document that defines the roles and responsibilities within the corporate organization in relation to tax risks and the their control (currently in development);
- preparation of an interpretative risk management policy to be applied in cases of significant uncertainty in the interpretation of tax regulations (currently in development).

The process to access Cooperative Compliance is ongoing to date and the Company expects to be able to implement the system by the end of 2023.

Participating in the R&D credit amnesty

Salvatore Ferragamo S.p.A. opted for the R&D credit amnesty procedure, introduced by Article 5, paragraphs 7 to 12, of Decree Law No. 146 of 21 October 2021 for the tax years from 2015 to 2019, in order to adjust the calculation of its credit to the clarifications made on the software after the calculation of the receivables, and to correct other calculation errors . With a request sent electronically on 28 October 2022, the amnesty procedure for the years 2015 to 2018 was started (for a total of 2,012 thousand Euro), while for 2019 the adjustment was made directly in the Redditi SC 2022 form (tax year 2021) submitted on 30 November 2022 (for 71 thousand Euro). The Company will pay the amounts due for the years 2015 to 2018 within the extended deadline of 16 December 2023. Depending on the outcome of the audit of the Inland Revenue Office on the tax credit in question, the Company may also consider taking additional amounts within the current deadline of 30 November 2023.

Sustainable Growth Fund Incentives – Innovation Agreement

On 13 December 2019, Salvatore Ferragamo S.p.A. submitted a proposal for an Innovation Agreement pursuant to the Decree of the Ministry of Economic Development of 24 May 2017: the Agreement represents a public funding instrument to promote research and development projects of strategic importance for the competitiveness of the production system, with investments exceeding 5 million Euro. The Ministry of Economic Development (today MIMIT) and the Region(s) in which the investment is made are parties to the Agreement.

The Company thus intended to partially finance the so-called Intelligent SUpply Chain and Customer Experience from Extended Data ("I-SUCCEED") project, which consists of investments in innovation and development activities to be carried out at the Sesto Fiorentino site (Florence) in the 2019-2022 three-year period. The objective of I-SUCCEED is the implementation of the technical infrastructure of an integrated and evolved supply chain model that makes it possible to react, promptly and efficiently, to the changes and expectations of the market and of the reference context, through the adoption of a new distribution model.

On 12 January 2021, the Company, the Ministry of Economic Development and the Tuscany Region signed the Innovation Agreement, with effect until 31 December 2022, or until the completion of project, with the option of requesting an extension for a further 12-24 months.

On 1 June 2022, the relative Concession Decree was issued, which assigns Salvatore Ferragamo S.p.A. a non-repayable grant. The concessions will be provided by the Ministry of Economic Development and the Tuscany Region in the form of a direct contribution to the expenditure for approximately 30% of the expenses actually incurred and reported. In view of the costs already incurred, as at 31 December 2022 Salvatore Ferragamo S.p.A. recorded a contribution of 2.3 million Euro in the Other income item. In January 2023, the Company received 2.1 million Euro as an advance on the contribution.

9. Information on corporate governance and ownership structure

Disclosure pursuant to art. 123-bis of Italian Legislative Decree no. 58/1998 (TUF)

On 2 March 2023, the Company's Board of Directors approved the Report on Corporate Governance and Ownership Structure for the year ended 31 December 2022, prepared also pursuant to art. 123-bis of the Consolidated Law on Finance ("Corporate Governance Report").

The Corporate Governance Report includes a description of the corporate governance system adopted by the Company in 2022, information on the ownership structure and the adoption of the Corporate Governance Code as at the date of the Corporate Governance Report, the Company's main governance practices, and the characteristics of the risk management and internal control system with respect to the financial reporting process.

Corporate Governance

For more information on the Company's corporate governance structure, adopted also in accordance with the principles in the Corporate Governance Code, see the document "Report on Corporate Governance and Ownership Structure", published on the Company's website, section Corporate Governance/Corporate Governance Report. Below is a summary of key information on the Company's corporate governance.

Issuer profile

The Company is structured according to the traditional management and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors.

The Company's Bylaws in force were approved by the Extraordinary Shareholders' Meeting on 22 April 2021. The Bylaws establish the essential features of the Company and set the main rules for its management and operation, as well as provide a description of the membership of corporate bodies, their powers, and their relationships. The Bylaws also include the description of shareholders' rights and how to exercise them.

The Company adheres to the Corporate Governance Code, in force as of 1 January 2021. Previously, the Company adopted the Corporate Governance Code adopted by the Italian Committee for the Corporate Governance of listed companies.

Board of Directors

The main corporate governance body is the Board of Directors, which has the power and the duty to direct the Company's operations, pursuing the goal of creating value for shareholders. Pursuant to the Bylaws, the Board runs business operations and is vested with all the powers of ordinary and extraordinary administration, except for those reserved to the Shareholders' Meeting under the law and the Bylaws.

The Board of Directors leads the Company by pursuing its sustainable success, defines the strategies of the Company and the Group in accordance with said goal, monitors their implementation, defines the corporate governance system considered to be most appropriate to the Company's operations and the pursuit of its strategies, and promotes the engagement with shareholders and the Company's other significant stakeholders.

The Shareholders' Meeting of 22 April 2021 elected the Board as at the date of this Annual Report, setting the number of its members at 10 and fixing their term of office at three years, until the Shareholders' Meeting convened to approve the financial statements as at 31 December 2023, except for the information reported below:
(i) Frédéric Biousse and Annalisa Loustau Elia, already co-opted pursuant to Article 2386 of the Italian Civil Code by the Board of Directors held on 29 September 2021, were appointed as non-executive members of the Company's Board of Directors by the resolution of the Shareholders' Meeting of 14 December 2021; and
(ii) Marco Gobbetti, already co-opted pursuant to Article 2386 of the Italian Civil Code by the Board of Directors held on 14 December 2021, with effect from 1 January 2022, was confirmed as a member of the Company's Board of Directors by the resolution of the Shareholders' Meeting of 12 April 2022; on the same date, the Board of Directors also confirmed Mr Gobbetti's role as Managing Director and General Manager, granting him all the powers of ordinary administration, except those expressly reserved for the exclusive competence of the Board of Directors.

As at the date of this Annual Report, the Board of Directors was therefore comprised of Leonardo Ferragamo (Chair), Angelica Visconti (Deputy Chair), Marco Gobbetti (Managing Director), Giacomo Ferragamo, Peter K. C. Woo, Anna Zanardi Cappon (Independent), Patrizia Michela Giangualano (Independent), Annalisa Loustau Elia (Independent), Umberto Tombari (Independent), and Frédéric Biousse (Independent).

This Board of Directors will serve until the date of the Shareholders' Meeting called to approve the separate financial statements as at 31 December 2023. It should be noted that Anna Zanardi Cappon, independent non-executive Director, resigned from her position as Director of Salvatore Ferragamo S.p.A., effective as of the date of the Shareholders' Meeting to approve the financial statements for the year 2022, as announced in the Company's press release of 28 February 2023; for further details, please refer to the section "Significant events occurred after 31 December 2022".

Below is the composition of the Board of Directors as at 31 December 2022.

MEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY - 31 DECEMBER 2022

	30- 50		>50		Tot	
	Men	Women	Men	Women	Men	Women
Members of the Board of Directors	-	10%	60%	30%	60%	40%
Of which executive*					20%	-
Of which independent					20%	30%

* In accordance with the definitions in the Corporate Governance Code, also the directors vested with management powers and/or who hold executive positions in the company or a subsidiary with strategic importance, or in the holding company, should the position concern also the Company, were considered to be executive directors.

In addition, the Company's Board of Directors also appointed the following Board Committees:
- the Nomination and Remuneration Committee, comprised of the Independent Directors Anna Zanardi Cappon (Chair), Annalisa Loustau Elia, and Umberto Tombari;
- the Control and Risks Committee, responsible also for transactions with related parties and corporate sustainability, comprised of the Independent Directors Patrizia Michela Giangualano (Chair), Umberto Tombari, and Anna Zanardi Cappon.

After the Shareholders' Meeting of 22 April 2021 appointed the new Board of Directors, the Company did not appoint a Lead Independent Director, as the conditions referred to in the Corporate Governance Code's recommendations were not met.

As of 1 January 2022, the role of director responsible for setting up and maintaining the internal control and risk management system, with the tasks and responsibilities provided for by the Corporate Governance Code, is held by Managing Director Marco Gobbetti.

With respect to the Company's governance, the Board of Directors also confirmed the responsibilities and tasks of the various entities involved in the internal control and risk management system, as defined under Article 6 of the Corporate Governance Code, including with specific reference to the role of the governing body, to the Managing Director (in the sense given in the Corporate Governance Code, as the person mainly responsible for managing the company), as primarily responsible for setting up and maintaining the internal control and risk management system, to the Control and Risks Committee, as well as to the heads of internal audit and the other functions involved in the control system.

Control body and managers with strategic responsibilities
With respect to the control body and managers with strategic responsibilities, please note that:
- the current Board of Statutory Auditors was elected by the Shareholders' Meeting on 8 May 2020 based on a slate-voting system for the 2020-2022 period, and shall remain in office until the Meeting convened to approve the financial statements as at 31 December 2022. Currently, the members of the Board of Statutory Auditors are: Andrea Balelli, elected from the slate submitted by a group of minority shareholders in the Company and subsequently appointed as Chair of the Board; Paola Caramella and Giovanni Crostarosa Guicciardi, Acting Statutory Auditors elected from the majority slate submitted by Ferragamo Finanziaria S.p.A.; Antonella Andrei and Roberto Coccia, Substitute Statutory Auditors elected from the majority and minority slates, respectively;
- on 10 March 2020, the Board of Directors also appointed the CFO and manager with strategic responsibilities Alessandro Corsi as Manager charged with preparing Company's Financial Reports (Manager in Charge) pursuant to art. 154 bis of the Consolidated Law on Finance effective 1 April 2020.

To date, the Board of Directors has identified the following as managers with strategic responsibilities: the Chief Transformation & Sustainability Officer Giacomo (James) Ferragamo, and the Chief Financial Officer and Manager in Charge Alessandro Corsi.

Change of Control Clauses
The medium/long-term incentive plan known as "Special Award 2022-2026" approved by the Shareholders' Meeting on 14 December 2021 under article 114-bis of the Consolidated Law on Finance, under which, upon satisfying specific conditions, ordinary shares in the Company are to be awarded to the Managing Director and General Manager, includes a change of control clause (defined as "the exercise of control, pursuant to art. 2359 of the Italian Civil Code, over the Company by an entity other than Ferragamo Finanziaria S.p.A."). Under said clause, should such circumstance occur during the "Vesting Period", as defined in said plan, the Managing Director and General Manager shall be entitled to receive a "Special Award Bonus", as defined in said plan, in a lump sum and for an amount calculated by reference to 0.50% of the Company's equity value based on the valuation of the Company as part of the transaction that caused the "Change of Control". For more information, see the Report to the Shareholders' Meeting of December-14 2021 on the second item on the agenda and the information document "Special Award 2022-2026 Plan" available on the Company's website *http://group.ferragamo.com*, section *Governance/Shareholders' Meeting/2021/ December-14*.

Main features of the systems of risk management and internal control

The Board, which is responsible for the internal control and risk management system as a whole – which is understood as the set of rules, organizational procedures and structures, and processes intended to monitor the efficiency of business operations, the reliability of the information provided to the corporate bodies and the market, compliance with laws and regulations, and the safeguarding of the Company's assets – defines, including through the support of the Control and Risks Committee, the guidelines for the internal control and risk management system, so that the main risks facing the Company and the Group – including risks that could become material in terms of the sustainability of the Company's operations over the medium/long term – are identified, measured, managed, and monitored in line with Italian and international reference models.

When defining the guidelines of the internal control and risk management system, the Board shared the organizational structure of Salvatore Ferragamo S.p.A. in order to support the Company's strategies currently in development and contribute to the sustainable success of Salvatore Ferragamo S.p.A..

The Company adopts an integrated risk management model, in line with Enterprise Risk Management ("ERM") standards and best practices, inspired by the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as CoSO ERM).

Said ERM model is intended to help top management identify the main business risks and how they can be managed, as well as define how to organize the system of measures protecting against such risks.

As of June 2022, in continuity with the process of strengthening the Company's ERM model undertaken in 2021, the Group launched a project with the dual objective of quantifying the potential impacts of the risks to the achievement of the targets of the Strategic Plan presented to the market on 10 May 2022 and introducing, for the risks considered a priority in terms of potential impacts, a monitoring and management model integrated with the managerial decisions adopted by the competent business functions.

The activities, which were completed in 2022, were initiated with reference to the main risk areas with a direct/indirect impact on the achievement of the Strategic Plan objectives and were extended to the entire Risk Universe, i.e., to all risks considered applicable to the organization. This process of revising the integrated risk management model (ERM Model) was concluded with the updating of the "ERM Framework" Policy, which constitutes the methodological reference and guidelines for the governance of the Salvatore Ferragamo Group's Enterprise Risk Management (ERM) system. The "ERM Framework" Policy was approved by the Board of Directors at its meeting on 26 January 2023.

The new risk governance was developed with a step-by-step process involving the Managing Director, as the director in charge of risk management and, where appropriate, the Risk and Control Committee and the Board of Directors. Moreover, the monitoring is based on a dynamic risk assessment concept that ensures that the company's risk profile is constantly updated.

The ERM Framework envisages the identification of specific forward-looking scenarios[6] for each relevant risk, which are then assessed for their combined impact using the *revenue@risk*[7] approach with the aim of ranking them by relevance in terms of their combined impact.

[6] Prospective scenarios, linked to certain adverse events that could have financial and/or reputational impacts on the Group.

[7] In the case of scenarios relating to a Compliance risk, the estimated impact can be defined on the basis of various factors such as the exposure in terms of penalties and business interruption in the event of non-compliance with applicable laws or regulations.

Risk identification and measurement processes require the necessary involvement of the company management, i.e., the Risk Owners and, more generally, all the heads of the functions involved in the ERM process, who are periodically asked to express their views on risk factors that may jeopardize the achievement of the organization's objectives.

As for the internal control system, it is structured so as to guarantee, through a process aimed at identifying and managing the main risks, the achievement of corporate objectives, thus helping to ensure the efficiency and effectiveness of business operations, the reliability of the financial information provided to corporate bodies and the market, and compliance with the laws and regulations in force.

The following are integral parts of the overall internal control system:
- the Code of Ethics, intended to promote and maintain an appropriate level of fairness, transparency, and ethical conduct in the performance of the Group's operations;
- the risk management system in relation to the financial disclosure process adopted in compliance with the provisions of art. 154-bis of the Consolidated Law on Finance;
- the organization, management and control model adopted for the purposes of preventing the crimes as set out in Leg. Decree 231/2001;
- the Anticorruption Policy;
- the so-called whistleblowing system, allowing the employees of the entire Group to report any misconduct or potential violations of the Code of Ethics, internal procedures, as well as applicable laws and regulations. This system was introduced and is managed according to Italian and international best practices to provide a specific and confidential communication channel as well as ensure the anonymity of the whistleblower.

The Company's internal control and risk management system is structured as follows:
Director responsible for setting up and maintaining the internal control and risk management system (the "Responsible Director"): He/She has the duty of supervising the system, i.e., identifying the main business risks – presenting them to the Board for consideration on a regular basis – as well as designing, implementing, and managing the internal control system, in compliance with the Board of Directors' guidelines, continuously verifying its adequacy and effectiveness and adjusting it to changes in operating conditions and the legal and regulatory landscape.

Control and Risks Committee: It supports the assessments and decisions of the Board of Directors – in an advisory and consultative role – concerning the internal control and risk management system as well as the approval of periodic financial and non-financial reports, and, among other duties, expresses its views on its design, implementation, and management, as well as the adequacy of the internal control system, reporting on the work carried out to the Board of Directors every six months.
Specifically, the Control and Risks Committee performs the following duties:
(i) supports the Board in performing the duties associated with the internal control and risk management system, and specifically:
  a) in defining the guidelines of the internal control and risk management system, so that the main risks facing the Company and its subsidiaries are properly identified as well as adequately measured, managed, and monitored, assessing also the level of compatibility of such risks with business operations that are consistent with the identified strategic objectives;
  b) in assessing, at least annually, the adequacy and effectiveness of the internal control and risk management system relative to the characteristics of the business and the risk profile assumed;
  c) in describing the key characteristics of the internal control and risk management system and the coordination between the parties involved in it as part of the corporate governance report, giving its opinion on the system's overall adequacy;
  d) in assessing, at least annually, the work plan prepared by the head of the internal audit function, after consulting with the control body and the Chief Executive Officer;

e) in assessing the findings of the auditor in the letter of recommendations, if any, and the additional report for the control body, after consulting with the latter;
f) in assessing the measures intended to ensure the corporate functions involved in controls use effective and impartial judgment, ensuring they have the required professional skills and resources; and
g) in assigning the supervisory functions as per art. 6, paragraph 1, lett. b) of Italian Leg. Decree no. 231/2001 to the Supervisory Body created specifically for this purpose;

(ii) after consulting with the Manager in Charge, the independent auditors, and the Board of Statutory Auditors, assesses whether accounting standards are used properly and consistently for the purposes of preparing the consolidated financial statements;
(iii) assesses whether periodic financial and non-financial reporting is suited to presenting fairly the business model, the Company's strategies, the impact of its operations, and performance;
(iv) examines the content of periodic non-financial reporting relevant to the internal control and risk management system;
(v) gives opinions on specific aspects concerning the identification of the main business risks and supports the assessments and decisions of the governing body related to the management of risks arising from adverse events the latter has become aware of, including risks that may be relevant to the medium/long-term sustainability of the Company's operations, by conducting appropriate investigations;
(vi) examines the periodic reports on the assessment of the internal control and risk management system and the particularly relevant reports prepared by the internal audit function;
(vii) monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;
(viii) may task the internal audit function with auditing specific operational areas, notifying the Chair of the Board of Statutory Auditors;
(ix) reports to the Board of Directors on the activities undertaken as well as the adequacy of the internal control and risk management system at least at the time of the approval of the annual and half-year financial report; and
(x) gives the Board of Directors its opinion on the appointment, removal and remuneration of the internal audit manager, as well as the resources made available to the latter to perform their duties.

Internal Audit Manager: Reporting to the Board of Directors, the manager is responsible – through the relevant department – for ensuring the internal control and risk management system is operational, adequate, and consistent with the guidelines defined by the Board, liaising with the Control and Risks Committee and the Board of Statutory Auditors regarding the management of the system and its suitability in order to achieve an acceptable overall risk profile. The Internal Audit Manager is a permanent member of the Control and Risks Committee.

Risk Management Manager: He/She coordinates the risk management process and provides systematic support to all management involved in the risk assessment process. The Risk Management Manager reports to the Chief Financial Officer, interacts with the Control and Risks Committee and works in coordination with the other system actors, such as Internal Audit, the management in charge of regulatory compliance activities and the Manager charged with preparing Company's Financial Reports and all the other subjects who, for different reasons, contribute to the identification, evaluation, management and monitoring of business risks.

Head of Regulatory Compliance: A function located within the General Counsel Department, it is in charge of monitoring the risk of non-compliance with the regulations applicable to the Group and assessing the requirements contained therein and verifying that internal procedures and processes are adequate to prevent potential violations. In these activities, he/she works in conjunction with the other functions that make up the Company's internal control system, namely the Risk Management and Internal Audit Managers, who report to the Control and Risks Committee and reporting directly to the Board of Directors. The Head of Regulatory Compliance receives regular information flows from the Specialized Control units, who are responsible for assessing the risk of non-compliance in the matters entrusted to them, and from the Functional Control units in relation to the implementation of remediation plans.

Manager charged with preparing Company's Financial Reports (in accordance with art. 154-bis of the Consolidated Law on Finance) ("Manager in Charge"): He/She is responsible for defining, implementing and maintaining suitable and effective control procedures to manage risks entailed in financial reporting, i.e. the activities undertaken to identify and assess the actions or events whose occurrence or absence may hinder, in part or in whole, the achievement of the goals of trustworthiness, accuracy, reliability, and timeliness of financial reporting.

Supervisory Body pursuant to Leg. Decree no. 231/2001: It is responsible for checking the effectiveness, adequacy and compliance of the Organization, Management and Control Model pursuant to Leg. Decree no. 231/2001 and ensuring it is constantly updated. In line with the recommendations of the Corporate Governance Code, the members of the Supervisory Body are the same as those of the Board of Statutory Auditors, with the aim of facilitating and streamlining control and information flows.

Board of Statutory Auditors: It is responsible for (i) supervising the effectiveness of the internal control and risk management system; and (ii) supporting the Board of Directors in assessing the findings of the independent auditors in the additional report for the control body. To always ensure a timely exchange of relevant information between the Board of Statutory Auditors and the Control and Risks Committee, so that they may perform their respective duties, all members of the control body regularly take part in the work of the Control and Risks Committee.
For further information on corporate governance and the main features of the risk management and internal control systems adopted, reference should be made to the Report on corporate governance and ownership structure published on the Company's website *https://group.ferragamo.com*, in the section *Corporate Governance/Corporate Governance Reports*.

Disclosure pursuant to art. 15 of the Markets Regulation

Salvatore Ferragamo S.p.A. has taken the steps required to comply with the provisions set out in article 15 of Consob Regulation no. 20249 of 28 December 2017, which contains rules implementing the Consolidated Law on Finance with respect to markets (Markets Regulation); this Regulation governs the requirements for listing shares of companies which control entities that have been set up under and are governed by the law of countries not belonging to the European Union and which are significant for the purposes of preparing the consolidated financial statements. As at 31 December 2022, the aforementioned regulatory provision applied to the following foreign non-EU subsidiaries: Ferragamo USA Inc., Ferragamo Hong Kong Ltd, Ferragamo Fashion Trading (Shanghai) Co Ltd, Ferragamo Korea Ltd, Ferragamo Japan KK, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Retail HK Limited, Ferragamo Moda (Shanghai) Co. Ltd., and Ferragamo UK Limited.
In particular, Salvatore Ferragamo S.p.A.:

a) discloses, pursuant to the procedures and deadlines established by relevant regulations, the accounting records of the subsidiaries prepared for the purposes of drawing up the consolidated financial statements, including at least the statement of financial position and the income statement;
b) receives from the subsidiaries their bylaws and information about the structure and powers of the corporate bodies;
c) verifies that the subsidiaries:
   - provide the Independent Auditors with the information they need to audit the annual and interim financial statements of the Holding company;
   - adopt an administrative and accounting system that can ensure the regular provision to the management and to the Independent Auditors of the Holding company of the income, equity and financial data needed to prepare the consolidated financial statements.

In order to fulfill its own regulatory obligations, the control body of the Parent company Salvatore Ferragamo S.p.A. has verified the suitability of the administrative and accounting system to duly provide management and the Independent Auditors of the Parent company Salvatore Ferragamo S.p.A. with the income, equity and financial data needed to prepare the consolidated financial statements and ensure the effective flow of information through meetings with both the Independent Auditors and the Manager charged with preparing Company's Financial Reports.

10. Other information

Relations with shareholders and financial reporting

Salvatore Ferragamo S.p.A., in accordance with the recommendations in the Corporate Governance Code and in order to maintain a constant dialog with its Shareholders, potential investors and financial analysts, has set up the Investor Relators function as well as adopted an engagement policy. On 8 March 2022, the Board of Directors of Salvatore Ferragamo S.p.A. approved the new Engagement Policy, considering, inter alia, the recommendations of the Corporate Governance Code and the engagement policies adopted by institutional investors; the new engagement policy is available on the Company's website (*https://group.ferragamo.com/en/governance/corporate-governance/ Engagement-Policy*). For details of the meetings held with investors and the topics discussed, see the document "Reports on Corporate Governance and Ownership Structure", which is published on the Company's website, in the *Corporate Governance/Corporate Governance Reports* section.
Financial data, corporate presentations, interim reports, official press releases, and real-time share price information are also available on the Group's website *http://group.ferragamo.com*.

Stakes in Salvatore Ferragamo S.p.A.

As at 31 December 2022, Ferragamo Finanziaria S.p.A. held a majority stake in the share capital of Salvatore Ferragamo S.p.A., i.e. 54.276%, as per the disclosure of Ferragamo Finanziaria S.p.A. pursuant to article 120 of the Consolidated Law on Finance through form 120/A as per Attachment 4 to Consob Regulation no. 11971/1999 as amended and supplemented (the "Issuers' Regulation"). Please note that Ferragamo Finanziaria S.p.A. has requested to register the Salvatore Ferragamo ordinary shares it owns in the Special List set up by the Company pursuant to article 127-quinquies, paragraph 2, of the Consolidated Law on Finance to benefit from increased voting rights, as described below:

- on 2 July 2018, 86,499,010 shares, accounting for 51.246% of the Company's share capital; and
- on 14 January 2019, 5,112,800 shares, accounting for 3.029% of the Company's share capital.

Pursuant to article 6 of the Bylaws and article 9 of the Company's Rules for Increased Voting Rights, the increased voting rights attached to the ordinary shares held by Ferragamo Finanziaria S.p.A. and included in the Special List on 2 July 2018 and 14 January 2019 became effective on 7 August 2020 and 5 February 2021, respectively, as they have met the requirements under applicable law for increasing voting rights.

Considering the above, as at 31 December 2022 Ferragamo Finanziaria S.p.A. owned 172,998,020 voting rights, accounting for 62.17% of the Company's share capital, attached to the mentioned 86,499,010 shares, and 10,225,600 voting rights, accounting for 3.68% of the Company's share capital, attached to 5,112,800 shares. Therefore, as at 31 December 2022 Ferragamo Finanziaria S.p.A. owned 183,223,620 voting rights, accounting for 65.85% of the total.

Management and coordination of Salvatore Ferragamo S.p.A.

Salvatore Ferragamo S.p.A. is subject to the management and coordination of Ferragamo Finanziaria S.p.A. pursuant to art. 2497 and ff. of the Italian Civil Code. The Company complies with the requirements as set out in article 16 of the Markets Regulation for the listing of subsidiaries which are subject to management and coordination. In particular, it should be noted that Salvatore Ferragamo S.p.A.:

(i) has fulfilled the disclosure obligations envisaged by article 2497-bis of the Italian Civil Code;
(ii) has independent power to negotiate with customers and suppliers;
(iii) has no centralized cash management arrangement with Ferragamo Finanziaria S.p.A.;
(iv) has an internal control and risks committee consisting exclusively of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code;
(v) has a nomination and remuneration committee to appoint directors consisting exclusively of independent directors, pursuant to art. 148, paragraph 3 of the Consolidated Law on Finance and the relevant provisions of the Corporate Governance Code.

As from 14 December 2021, a set of Rules was signed between Ferragamo Finanziaria S.p.A. and Salvatore Ferragamo S.p.A., subject to approval on 14 December 2021, by the latter's board of directors, governing the exchange of information between the Company and the majority shareholder Ferragamo Finanziaria S.p.A., as part of management and coordination activities or in order for the Shareholder to meet its legal obligations, in particular with regard to information provided selectively and taking into account the need to maintain confidentiality and comply with applicable laws.

Domestic fiscal unity

Salvatore Ferragamo S.p.A. adopted the domestic fiscal unity provided for by articles 117 and ff. of Italian Presidential Decree no. 117 of 22 December 1986 ("TUIR", Consolidated Law on Income Taxes) and the Ministerial Decree of 1 March 2018, with the holding company Ferragamo Finanziaria S.p.A. as the consolidating company. Until 2020, the domestic fiscal unity also included Ferragamo Parfums S.p.A., which was merged into Salvatore Ferragamo S.p.A. in 2021. The domestic fiscal unity continues uninterrupted for the 2022-2024 three-year period, as it was tacitly renewed for an additional three years under art. 14, paragraph 1, of the Ministerial Decree of 1 March 2018.

Shares held by Directors, Statutory Auditors and Managers with strategic responsibilities

For information relating to the Shares held by all Directors, Statutory Auditors, and Managers with strategic responsibilities, reference should be made to the Report on remuneration policy and fees paid as per article 123-ter of the Consolidated Law on Finance, prepared in accordance with art. 84-quater and Annex 3A, Scheme 7-bis of the Issuers' Regulation and article 5 of the Corporate Governance Code, available on the Company's website *https://group.ferragamo.com*, section *Governance/Remuneration/Remuneration Report*.

Treasury shares and shares or stakes in parent companies

On 12 April 2022, the Shareholders' Meeting of Salvatore Ferragamo S.p.A. authorized the Board of Directors to purchase, pursuant to Article 2357 of the Italian Civil Code, including in multiple rounds, ordinary shares in Salvatore Ferragamo S.p.A. with a par value of 0.10 Euro each, up to a maximum amount that, considering the ordinary shares in Salvatore Ferragamo S.p.A. held from time to time by the Company or its subsidiaries, shall not exceed 2% of the Company's share capital from time to time, in accordance with specific terms and conditions.

On 12 April 2022, the Meeting also authorized the Board of Directors, in accordance with article 2357-ter of the Italian Civil Code, to sell, including in multiple rounds, all or part of the ordinary shares bought, in accordance with specific terms and conditions.

At the meeting held on 12 April 2022, the Board of Directors approved the launch of the ordinary treasury share repurchase program as authorized by the Ordinary Shareholders' Meeting on the same date. Please note that the aforementioned repurchase program was completed in July 2022.

As at 31 December 2022, Salvatore Ferragamo S.p.A. held 3,375,800 treasury shares, equal to 2.0% of the share capital, bought throughout 2018, 2019, 2021 and 2022 for a total outlay of around 58,202 thousand Euro, including banking fees and other tax charges, including 2,601,637 treasury shares purchased in 2022, amounting to 42,670 thousand Euro. On the same date, its subsidiaries did not hold any of its shares. The Group does not hold directly or indirectly shares in parent companies, and during the period it did not buy or sell shares in parent companies.

It should be noted that on 1 January 2023, the Managing Director and General Manager Marco Gobbetti accrued the right to receive, free of charge, 114,766 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2022") allotted to him on 1 January 2022 under and in pursuance of the provisions of the Restricted Shares Plan (for details see Note 40 in the Explanatory Notes to the Consolidated Financial Statements). The Restricted Shares 2022, which are entirely made up of the treasury shares purchased by the Company during the period between 2018 and 2022 on the basis of special authorizations granted from time to time by the Shareholders' Meeting, were transferred to the securities account in the name of the Managing Director and General Manager in February 2023. Therefore, as at 2 March 2023, the Company held 3,261,034 treasury shares, equal to 1.93% of the share capital.

Transactions arising from atypical and/or unusual transactions

The Parent company Salvatore Ferragamo S.p.A. and the Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance and/or size, the counterparties involved, the subject of the transaction, the means of determining the transfer price and the timing of the event, may give rise to doubts about the correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

11. Research and development

As part of its creative and production studies, the Group incurred costs for research and development for the study of new products and the use of new materials, which were wholly charged to the income statement under costs of production.
In 2022, they amounted to 24,513 thousand Euro (incurred entirely by the Parent company) compared to 23,417 thousand Euro in 2021 (incurred entirely by the Parent company).

12. Transactions with related parties

In accordance with the Regulation adopted by CONSOB with resolution no. 17221 of 12 March 2010 as amended and supplemented (the "RPT Consob Regulation"), Salvatore Ferragamo S.p.A. adopted a Related Party Transaction Procedure ("Related Party Procedure") which was revised and updated by the Company's Board of Directors first on 31 July 2018, and then on 11 May 2021, so as to align it with the new provisions introduced by Consob resolution no. 21624 of 10 December 2020 into the RPT Consob Regulation. The current version of the Related Party Procedure is available on the website *https://group.ferragamo.com*, section *Governance/Corporate Governance/Procedures*.

The main body responsible for the correct application of Salvatore Ferragamo S.p.A.'s Related Party Procedure is the Company's Board of Directors.

The Related Party Procedure identifies the principles adopted by the Company in order to guarantee the transparency and the actual and procedural fairness of transactions with related parties undertaken by the Company, either directly or through its subsidiaries.

In particular, it establishes the "larger" transactions which must be approved in advance by the Board of Directors on the basis of the grounded and binding opinion of the Committee responsible for Transactions with Related Parties – which is identified in the Control and Risks Committee – and which entail the disclosure of an information document. The other transactions, unless they fall in the residual category of low value transactions – i.e. those worth less than 100,000.00 Euro – are defined as "minor" transactions and can be executed subject to a grounded and non-binding opinion of the Committee responsible for Transactions with Related Parties.

In addition to the cases for which the Consob Regulation itself excludes the application of the relevant rules, the Company uses the following exemptions, within the limits allowed under the Consob Regulation: *(i)* payment plans based on financial instruments approved by the shareholders' meeting under article 114-bis of the Consolidated Law on Finance and the relevant transactions; *(ii)* resolutions (other than those already outside the scope of the Consob Regulation, under article 13, paragraph 1 of the latter) on the remuneration of directors holding specific positions, as well as other managers with strategic responsibilities, provided that: the Company has adopted a remuneration policy approved by the shareholders' meeting, a committee comprised exclusively of non-executive directors – most of them independent – was involved in defining the remuneration policy, and the assigned remuneration was identified in accordance with said policy and quantified based on criteria not involving judgment; *(iii)* ordinary transactions, carried out on arm's length or standard terms; *(iv)* transactions with or between subsidiaries (including jointly) of the Company, as well as transactions with associates, as long as there are no interests classified as material of other parties related to the Company in the subsidiaries or associates that are party to the transaction; *(v)* urgent transactions, without prejudice to the disclosure requirements under article 5 of the Consob Regulation and the powers reserved to the Board of Directors with respect to major transactions.

The Board of Statutory Auditors is responsible for overseeing the compliance of the Related Party Procedure with the principles indicated in the RPT Consob Regulation as well as the observance and correct application of the Procedure. Transactions with related parties – as listed in the financial statements and set out in detail in the specific note to the consolidated and separate financial statements (to which reference should be made) – cannot be considered as atypical or unusual, since they form part of Group companies' regular business and are regulated at market conditions.

13. Main risks and uncertainties

The Corporate Governance Code places special emphasis on the correlation between risks, opportunities, and the organization's strategic objectives, stressing the need to consider all elements that could be potentially relevant to achieving sustainable success, defined as "the objective that guides the actions of the board of directors and consists in creating long-term value for the benefit of the shareholders, taking into account the interests of other stakeholders relevant to the company".

Specifically, under the Corporate Governance Code, the Board of Directors shall define "the nature and level of risk compatible with the company's strategic objectives, including all the elements that can be relevant for the company's sustainable success" (see Recommendation 1(c)).

In addition, the code establishes the principle that "the internal control and risk management system consists of a set of rules, procedures and organizational structures for an effective and efficient identification, measurement, management and monitoring of the main risks, aimed at contributing to the sustainable success of the company" (see Principle XVIII).

In this context, it should be noted that during 2022, the Company completed the revision of its integrated risk management model (ERM model), in order to promote an increasing integration at all levels of the organization between business risk management, strategy and business performance. The Model, which is in line with recognized Enterprise Risk Management ("ERM") standards and best practices, is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as "CoSO ERM 2017"), the principles of which are in line with the company's strategic guidelines communicated to the market on 10 May 2022.

This methodology was implemented in accordance with a step-by-step process, which was followed and constantly monitored by the Control and Risks Committee and was then reflected and described in the "ERM Framework" Policy approved by the Board of Directors at its meeting of 26 January 2023. Moreover, the methodology is based on a dynamic risk assessment approach, which ensures that the company's risk profile is constantly updated. The risk identification and measurement processes of the risk assessment activity were shared with the company management, i.e., the Risk Owners and, more generally, all the heads of the functions involved in the ERM process, who are asked to express their opinion on the risk factors that characterize specific aspects of the Group's business and that may therefore jeopardize the achievement of the organization's objectives.

In this context, it should be noted that, in line with the priorities set by the European Securities and Market Authority (ESMA) on 28 October 2022 for the 2022 reporting year, the Group developed further in-depth studies aimed at integrating ESG factors in the context of its risk/opportunity analyses, through an "ESG risks' assessment" that led to the identification of the main risks that could jeopardize the achievement of the objectives linked to the ESG strategy.

The process, which will continue into 2023 in order to drive continuous improvement, has therefore allowed to further raise the level of awareness, understanding and monitoring of risks and opportunities in an integrated manner within the Group, in accordance with the guidelines defined by the Corporate Governance Code as well as the main relevant regulations and the relevant scenario.

The activity carried out in 2022 also included specific considerations related to the impact of the Russia-Ukraine conflict and those related to the development of the Covid-19 health emergency, which led to new restrictions and barriers on commercial activities and people, particularly in China.

The key principles of the ERM methodology are described below, including the main areas of risk and the main impacts/matters of interest to the Parent company and the subsidiaries (the Group).

The identification of corporate risks (known as Risk Universe) starts with the analysis of the main risk areas with a direct/indirect impact on the achievement of the Strategic Plan objectives. These risk areas are then further investigated through scenario-based analysis to identify and develop specific forward-looking scenarios[8]. The Risk Universe also includes those risk areas that, although not directly related to the Strategic Plan, are considered applicable to the Company and, where deemed relevant, are also subject to in-depth analysis through the identification and design of specific forward-looking scenarios. Finally, the methodology requires each identified scenario to be assessed for its combined impact using the *revenue@risk approach*[9] to rank risks.

The Group has confirmed the following types of risks: strategic, operational, financial, and compliance risks. For each risk area, regardless of the specific category, all environmental, social or governance (ESG) risk factors are searched for and identified across the board. The risk assessment process also includes the application of a Reputational Risk Multiplier based on the potential impact in terms of brand reputation, which can have an amplifying effect on the impact of certain risks considering their relevance to the sector.

For a description of the overall Risk Management System through which risks are managed and controlled, reference should be made to the specific description in the Board of Directors' report on operations "Information on corporate governance and ownership structure" and the specific section included in the Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016.

Strategic risks

This category includes the most relevant risk scenarios in terms of their potential direct and indirect impact on the achievement of the Strategic Plan objectives. The Plan is based on the relaunch of the brand through a renewed offer aimed at a different, younger consumer target group than in the past, in a particularly unstable macroeconomic/geopolitical context. In order to manage risks, this has resulted in a thorough and constantly updated analysis of the processes related to the creative area, supply chain management and distribution channels, without neglecting the potential impact in terms of sustainability and brand reputation/image.

[8] Prospective scenarios, linked to certain adverse events that could have economic-financial and/or reputational impacts on the Group.

[9] In the case of scenarios relating to a Compliance risk, the estimated impact can be defined on the basis of various factors such as the exposure in terms of penalties and business interruption in the event of non-compliance with applicable laws or regulations.

Risks of business interruptions caused by natural, economic, and geopolitical events, including pandemic events

The risk is associated with the possibility that natural, economic, and geopolitical events, including pandemic events, could result in a significant interruption or halt of business continuity, with economic/financial and/or reputational repercussions due to inadequate recovery strategies at the company level. External risk factors include, among others:
(i) risks related to the spread of Covid-19 infections in countries with "zero-tolerance" strategies, leading to new restrictions and barriers on commercial activities and people, and impacts on business continuity in directly exposed areas and on tourist flows more generally, particularly in China in 2022. The evolution of this scenario will lead to a revision of the prioritization of the risk related to Covid-19 during 2023, consistent with the updated impact and probability assessment;
(ii) the scenario relating to a macroeconomic context that remains uncertain also due to the continuation of the Russian-Ukrainian conflict and its possible escalation, which led to great uncertainty in the markets and a rise in interest rates by Central Banks, as well as to soaring commodity prices, especially energy commodities, leading to a significant increase in inflation in the major world economies.

Risks of events with an impact on the image and reputation of the brand

The Group's success depends on the image of its brand, which is influenced not only by internal factors relating to its own business, i.e., by the definition and implementation of its strategies, but also by a variety of external factors or events which may harm or damage the business ethics and values associated with it. Internal risk factors include, for example, the perceived quality of service and product attractiveness to customers and, last but not least, the risk of potential reputational damage related to marketing campaigns or communication initiatives that are not in line with the Company's brand image in relation to ESG topics, which, considering their relevance, may have an amplifying effect in terms of reputation and impact on consumer preferences. Among external risk factors note should be taken, among others, of the increasing spread and use of easily accessible media channels that disseminate information to a large group of users, the failure to adopt more innovative new technologies, the dissemination of information or news.

Risks related to the Supply Chain

The organizational model adopted by the Group entrusts the production process almost entirely to specialized external workshops, while keeping the management and organization of the most important stages in the value chain in-house. The outsourcing of the production process could represent a risk in terms of a possible delay in product availability, related to an increase in production volumes consistent with the objectives of the Strategic Plan and the possible difficulties in maintaining an adequate balance between the effectiveness of demand planning and thus production on the one hand and the flexibility of the distribution model on the other. In terms of supply chain management, the possibility of the terminating existing relationships with third party counterparties could represent a continuity risk in certain business areas, at least in the short term, which could also have legal and compliance implications. In fact, outsourcing to a supply chain not adequately qualified in terms of operational capabilities and compliance with applicable regulations, including those related to labor law and HSE (Health, Safety & Environment), or lacking of adequate tools to monitor and manage energy consumption and other environmental impacts (e.g. climate-changing emissions) may negatively affect the Group's business and image. There is an additional risk associated with price fluctuations relating to the availability of high-quality raw materials or supply-side competitive tensions, resulting in additional costs and availability issues for the Company.

Risks related to the management of distribution channels

The risk is related to the possibility that the main distribution channels of the Ferragamo Group do not adequately reflect the Brand's relaunch strategy, with repercussions in terms of strategic positioning, reputational impact, and financial losses. Specifically, the following may be especially relevant to the retail channel: store location, interior and exterior design, window dressing, purchasing experience and selling ceremony, dedicated sales staff at DOS points lacking adequate skills or proper training.

Specifically, the following may be particularly relevant to the e-commerce channel: possible difficulties/delays in integrating the partnership with Farfetch with possible consequences in terms of increased online sales below expectations and reduced access to a younger consumer audience.

Operational risks

IT security risks, data management and dissemination, specifically with respect to cyber attacks

The risk is associated with the possibility that potential attacks and breaches into the IT system could cause systems to be unavailable and/or the destruction, loss, alteration, and unauthorized disclosure of, or access to, the personal data transmitted, stored, or otherwise processed by the Group, resulting in financial and/or reputational losses, including those associated with severe business interruption events. Risk factors include those related to workers' potential lack of awareness of cyber security issues that could expose the Company to information management vulnerabilities.

In 2022, an ad hoc cyber risk assessment was carried out with the support of field experts in order to assess the company's level of security in general and, more specifically, the main cyber risk scenarios to which the company is exposed. The results of this activity identified a number of initiatives ("positive practices") that have been successfully adopted and implemented by the Company and that actively contribute to reducing the Company's exposure to cyber risk.

However, the level of attention the Company pays to manage these issues remains high, with training sessions and awareness-raising campaigns carried out in 2022 in line with the Cyber Security Awareness programs.

Risks relating to the protection of intellectual property rights

The risk relates to the possibility that counterfeit products are illegally marketed and the possibility of third parties using the trademark or the corporate name improperly or for purposes not permitted by current regulations on the protection of intellectual property rights. The risk of violation of the intellectual property rights of products and the brand held by the Group is amplified via the Internet through their improper use on third-party websites. This risk can take several forms: unauthorized e-commerce websites which sell official products; e-commerce websites which sell counterfeit products; and unauthorized use of the "Ferragamo" name in the website address. Finally, legal protection cannot, in any case, prevent the possibility that Salvatore Ferragamo brand products sold to wholesale customers are then sold on so-called parallel channels, with possible repercussions on the corporate image as a result of the lack of control over these retail sales by a commercial policy that is in line with the brand image developed by the Group, as well as a negative impact on Group revenues.

Risk of loss of key resources and know-how

The risk is connected to the significant dependence which the Group may have in regard to some managers who are currently considered strategic resources, since they cannot be easily or rapidly replaced by internal or external staff. The ending of the contribution of such staff members could lead to missed business opportunities, lower revenues, higher costs or cause damage to the Group's image. The risk of dependence on key staff is also connected to the potential loss of "technical know-how", in reference to the possibility of seeing a gradual reduction or loss of the expertise and skills needed to manage design, development and production activities, in particular in regard to the Group's core business: the manufacture of footwear and leather goods. This risk is especially important in regard to the professional staff responsible for handling product development and industrial manufacture processes, in an external and local framework characterized by a gradual reduction in craftsmanship and professional skills.

Financial risks

For information relating to the management of financial risks and for the other information provided for by IFRS 7, reference should be made to the specific section in the explanatory notes to the consolidated and separate financial statements, at the end of the paragraph on accounting standards.

Exchange rate risk

The Group operates at the international level and is therefore exposed to risks deriving from exchange rate fluctuations, which affect the financial position and financial performance, due to the difference in the value of foreign currency costs and revenues compared to the moment in which pricing conditions were set, as well as because of the translation of trade or financial receivables and payables denominated in foreign currencies. In addition, by virtue of the fact that the Company prepares its consolidated financial statements in Euro, fluctuations in the exchange rates used to translate the financial statement data of subsidiaries which were originally expressed in a foreign currency could have a significant impact on consolidated results, net financial position, net financial debt, and shareholders' equity as expressed in Euro in the Group's financial statements, and financial ratios.

Credit risk

The Group's exposure to trade credit risk refers exclusively to wholesale sales and the receivables associated with licensing and rental income investment property revenues, which combined represent nearly one-third of global turnover; the rest refers to retail sales, which are usually paid with cash or credit and debit cards at the time of purchase. The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their obligations. The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities. The Salvatore Ferragamo Group is mainly exposed to the risk of recording on the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions or in liquidating assets on the market to find the necessary financial resources. The first consequence is a negative impact on the income statement, should the Group be forced to incur additional costs to meet its commitments. The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

Compliance risks

Tax risk

The Salvatore Ferragamo Group has subsidiaries in over 25 countries worldwide and, therefore, its tax returns and obligations are usually subject to assessments by the tax authorities of the various countries. In addition, due to the high number and value of transactions between Group companies, the compliance of the amounts envisaged for such transactions to local and international rules and principles on transfer pricing is subject to assessment and adjustment by tax authorities. The instruments adopted by the management to limit tax risk for both tax compliance and transfer pricing cannot completely rule out the risk of tax assessments, especially taking into account the lack of clear and established regulation of transfer pricing in local legal provisions and procedures.

Risk of non-compliance with laws and regulations, including at the European level

The Group is subject, in the various jurisdictions where it operates, to legal provisions – including tax provisions which are described separately – and to technical rules which are applicable to the products manufactured and their distribution.

Italian and European regulations that are applicable to the Parent company as an issuer of shares traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A., since 29 June 2011 are especially relevant to this risk. There are also specific regulations that are especially relevant to this risk, such as Regulation (EU) no. 56/2014 (MAR), concerning market abuse, consumer protection laws, intellectual and industrial property rights and healthy competition, regulations on the protection of health and safety of employees and the environment, privacy, the administrative responsibility of legal entities under Italian Legislative Decree 231/2001, responsibility under Law 262/2005, and industrial compliance concerning the conformity of distributed finished products and raw materials used in relation to the standards provided for by law, as well as implementations associated with the evolution of the ESG regulatory environment.

Almost all products manufactured and sold by the Group are made in Italy, except for a very limited range of products manufactured abroad to take advantage of local traditions and quality (for example "Swiss Made" watches). This is considered a competitive advantage compared to rival products which cannot make the same claim. A change in the law on the origin of goods could, however, change the current identification requirements for "Made in Italy" products. It is impossible to rule out the risk of potential violation of the "Made in Italy" identification requirements by external workshops or suppliers to whom the realization of the finished products is outsourced, in particular in cases in which a production stage is further subcontracted. The application of new rules and regulations or changes to the law in force, which could lead to a delay in adjusting structures in order to ensure compliance with the new or subsequent requirements, result in further exposure to the risk of sanctions due to failure to comply with such provisions.

With respect to the environment, the constantly evolving domestic and international regulatory framework and the potential introduction of additional regulations related to the circularity of materials, as well as the sustainability of products and business processes, including those aimed at reducing greenhouse gas emissions into the atmosphere, may result in risk of non-compliance and sustainability-related impacts.

During 2022, the Company undertook to implement a specific "Compliance Program" to ensure proper management of the processes of compliance with the laws and regulations to which it is subject. The activities, coordinated by the Regulatory Compliance function, located within the General Counsel Department, completed in 2022 include (i) sharing with the Control and Risks Committee a methodology and definition of the relevant governance model for these risks, (ii) validating the mapping of the main regulations applicable to the Company, (iii) activating a periodic regulatory alert on matters of interest to the Group in order to inform the corporate functions concerned immediately and activate action and remediation plans, where necessary. The results of activities to monitor compliance with the laws and regulations to which the Company is subject will be integrated and appropriately reflected in the Risk Universe.

Main impacts in terms of sustainability

Concerning specifically climate change and the relevant risks factors, the Group has analyzed the main impacts in terms of sustainability with a focus on strategic and compliance risks.

With respect to strategic risks, climate change and the public's attention on this issue could affect customer preferences, causing changes in purchases of certain product categories – not core to the Group's business – and potentially the procurement of certain raw materials, while at the moment it is not possible to contemplate a reduction in the quality of the raw materials used in the production cycle. Therefore, the Group monitors climate change-related risks to reduce repercussions on its operations.

With respect to compliance risks, the impacts in terms of sustainability are associated with the failure to comply with environmental laws and regulations the Salvatore Ferragamo Group may be subject to. The Group monitors the constant evolution of the domestic and international regulatory framework as well as the potential introduction of additional regulations aimed at reducing the environmental impacts of the business. The implementation of the "Compliance Program" has, among other objectives, to activate a constant monitoring of the continuous evolution of ESG regulations and to identify the most effective compliance strategies.

14. Significant events occurred after 31 December 2022

On 28 February 2023, Salvatore Ferragamo S.p.A. announced that Ms Anna Zanardi Cappon, Independent Non-Executive Director as well as Chair of the Nomination and Remuneration Committee and member of the Control and Risks Committee, resigned from the Board of Directors of Salvatore Ferragamo S.p.A., effective as of the date of the Shareholders' Meeting held to approve the financial statements for the year 2022. According to the communication received, this decision was taken following her appointment as Chair of another listed company in compliance with the Principles for the Selection of Candidates for Corporate Offices in Listed Companies that Zanardi Cappon joined in order to be included in the list submitted by minority shareholders. In line with Salvatore Ferragamo S.p.A.'s remuneration policy, no termination indemnities or other benefits will be paid.

In its meeting of 2 March 2023, the Board of Directors resolved to call the Ordinary and Extraordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 26 April 2023 to resolve, among other items on the agenda, on: i) the approval of an incentive plan reserved for directors and/or employees and/or collaborators of the Company and the companies of the Salvatore Ferragamo Group; ii) the amendment of the "Restricted Shares" Plan, approved by the Shareholders' Meeting of 14 December 2021, in favor of the Managing Director and General Manager (aligning the underpins with the more challenging objectives of the Strategic Plan); iii) the approval of the 2023 Remuneration Policy; and iv) the appointment of the Board of Statutory Auditors.
For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en/governance/shareholders-meetings/2023*.

15. Macroeconomic situation and outlook

The short-term economic outlook remains uncertain.
The conflict in Ukraine, which began in February 2022, has had limited direct impacts on the majority of brands in the luxury sector, despite having important consequences worldwide, not only for the serious humanitarian crisis, but also for the possible economic effects on global markets, which have already been reflected in a further increase in the costs of some raw materials (first and foremost energy).

Throughout 2020, the Covid-19 pandemic resulted in a significant adverse shock, with a strong unfavorable impact on activities, which continue to have repercussions through the increase in prices. In 2021 and 2022, a phase of moderate recovery of economic activity was experienced at a global level. In 2022, the resurgence of the pandemic and the zero-Covid policy led to new closures and restrictions on people and commerce in the Chinese area.

In its January 2023 forecasts, the International Monetary Fund still expects GDP to grow, but at a lower rate than previously estimated. GDP is now expected to grow by 3.4% in 2022 and 2.9% in 2023 at the global level, 2% and 1.4 % for the US, 3.5% and 0.7% for the Eurozone and 3% and 5.2% for China, respectively. The risks in this baseline scenario remain mostly related to the increase in inflation, currently at levels higher than the average recorded in the last period, with increases in interest rates implemented by the main central banks, primarily the ECB and the Fed. This context leads to a reduction in consumers' spending propensity and power, in addition to the developments and consequences of the already mentioned Russian-Ukrainian conflict and the future course of the pandemic.

The new strategy of the Ferragamo Group, approved by the Board of Directors, focuses on increasing revenues in the medium to long term, to be achieved through a growing engagement of new and young consumers. The achievement of this objective will be pursued through a series of actions aimed at responding to the continuous evolution of the luxury market context.
The main strategic highlights can be summarized as follows:
- the product always at the center;
- new energy for the brand;
- focus on the digital domain;
- enrichment of the customer experience;

to be actualized relying on the following key operational supports:
- supply chain excellence;
- strong commitment to sustainability;
- maximizing the value of human capital and evolution of the organization.

Despite the uncertainty and volatility of the geopolitical and macroeconomic context, the Company continued to introduce strategic levers to generate growth in the medium-long term and to realize Ferragamo's full potential.

16. Separate Financial Statements as at 31 December 2022 of Salvatore Ferragamo S.p.A. – Proposal for approval

Dear Shareholders,
relying on your approval to the structure and basis of presentation of the separate financial statements for the year ended 31 December 2022, in relation to the results achieved and considering that as at 2 March 2023 the number of treasury shares held in the Company's portfolio amounted to 3,261,034, we:

1. submit the 2022 Separate Financial Statements to your approval;

2. recommend approving the allocation of the profit for the year 2022, amounting to Euro 89,239,108, to the Extraordinary Reserve;

3. recommend approving the allocation of the distribution to the Shareholders of a portion of the "Extraordinary Reserve" (which amounted to 570,584,488 Euro as at 31 December 2022), in the amount of 0.28 Euro per share, estimated at a total of 46,348,110.48 Euro, taking into account the shares outstanding as at 2 March 2023.

Florence, 2 March 2023

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

CONSOLIDATED NON-FINANCIAL STATEMENT

PURSUANT TO ITALIAN LEGISLATIVE DECREE 254/2016

Consolidated Non-Financial Statement
PURSUANT TO ITALIAN LEGISLATIVE DECREE 254/2016

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

"Since the introduction of the Brand, creativity, innovation, and world-class craftsmanship have always been the core values of the Salvatore Ferragamo Group, guiding the design and production of any creation. Over the years, the deep connection with the local community and its culture has made the Salvatore Ferragamo Group increasingly aware of the need for a strong commitment to protect the places where it operates and the people that work for the Group, going above and beyond the requirements of domestic and international laws, rules and regulations."

Commitment to the sustainability of Salvatore Ferragamo

For Ferragamo, 2022 has been a year of evolution and change, while still reaffirming its longstanding tradition of creativity and excellence. In this phase of its evolution, the Group's commitment to sustainability has been stronger than ever: the desire to grow the business while also keeping in mind the positive and negative impacts of its operations has been further consolidated, with particular attention paid to both the social and the environmental spheres.
For Salvatore Ferragamo, investing in sustainable development means believing in the use of innovative materials, in the connection with the community and the local territory, and in the respect for the environment and its own people. These values, handed down by the Founder, are essential not only for the success of the Company, but for all stakeholders.
The commitment to sustainability, intended as a behavioral model to be followed without compromise, has been structured over the years and draws inspiration from the values that underlie the very history of the Salvatore Ferragamo Group: a passion for world-class craftsmanship, creativity and Made in Italy innovation. Understanding and respecting these values translates into ethically correct behaviors, both inside and outside the Group, supporting it in terms of economic growth and credibility.

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1. METHODOLOGY

This section of the Board of Directors' report on operations represents the Consolidated Non-Financial Statement (hereinafter also referred to as "NFS", "Non-Financial Statement" or "Sustainability Report") pursuant to Italian Legislative Decree no. 254 of 30 December 2016 implementing Directive 2014/95/EU of the companies belonging to the group consisting of Salvatore Ferragamo S.p.A. and its subsidiaries (hereinafter also referred to as the "Group" or "Salvatore Ferragamo Group") for the period from 1 January through 31 December 2022.

The NFS, as envisaged by article 5 of Italian Legislative Decree 254/2016, is included within the Board of Directors' report on operations with specific wording with the aim of making the Annual Report the reference document for meeting the information requirements of the Group's stakeholders in a clear and concise manner. The document aims to foster the progressive integration of financial and non-financial information, providing the reader with a complete and integrated view of the Group's performance, highlighting the link between operating, financial and sustainability scenarios.

The NFS was prepared to ensure the understanding of the Group's operations, performance, results and impact, addressing the topics considered material and set out in Art. 3 and 4 of Italian Leg. Decree 254/2016. The contents being reported on in this document have been selected based on a structured materiality analysis, which was updated in 2022, downstream of a trend and scenario analysis, both in Italy and globally, and made it possible to identify the most important sustainability topics for the Group and its stakeholders, as detailed in the section "Stakeholders and materiality". It should be noted that the update of the 2022 materiality analysis was carried out according to the requirements set forth in the new GRI Universal Standards 2021, also taking into account the "outside-in" perspective as described in the "Stakeholders and materiality" section. In addition, the provisions of the European Commission's "Guidelines on Non-Financial Reporting" have also been considered for the definition of the contents.

In order to avoid redundancies and facilitate the overall reading of the document, the NFS provides integrated information on the issues required by Italian Legislative Decree 254/2016 also by referring to other sections of the Board of Directors' report on operations, if the information is already contained therein or in case of further in-depth analysis.

The NSF is structured in 4 macro-sections:
- "Culture of sustainability", which describes the general ESG management model adopted by the Group, with a special reference to materiality analysis, stakeholder engagement and business ethics.
- "Responsibility towards people", which describes the management of staff-related aspects and performance.
- "Responsibility towards the environment", which describes the management of environmental aspects and related performance.
- "Social responsibility", which describes the management of aspects related to the external community, supply chain, customers, human rights governance and related performance.

The document is completed by the "EU Taxonomy", "Annexes", "Group's Material Topics" and "GRI Content Index" sections.

The scope of social and environmental data and information is limited only to the subsidiaries consolidated on a line-by-line basis with the exception of Ferragamo Retail India Private LTD and Ferrimag Limited[10].

Nonetheless, it should be noted that with reference to the information and data relating to environmen-

[10] The list of companies consolidated on a line-by-line basis is given below: Ferragamo France SAS, Ferragamo U.K. Limited Ltd, Ferragamo Suisse SA, Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Deutschland GmbH, Ferragamo Espana SL, Ferragamo Retail Nederland BV, Ferragamo Austria GmbH, Ferragamo USA Inc, Ferragamo Canada Inc, S Fer International Inc, Sator Realty Inc, Ferragamo Mexico S. de R.L. de C.V., Ferragamo Chile SA, Ferragamo Argentina SA, Ferragamo Brasil Roupas e Acessórios Ltda, Ferragamo Japan KK, Ferragamo Hong Kong LTD, Ferragamo Australia Pty, Ferragamo Korea Ltd., Ferragamo (Singapore) PTE. LTD., Ferragamo Retail India Private LTD, Ferragamo (Thailand) LIMITED, Ferragamo (Malaysia) Sdn Bhd, Ferrimag Limited, Ferragamo Retail Macau Ltd., Ferragamo Retail HK Ltd, Ferragamo Retail Taiwan Ltd, Ferragamo Moda (Shanghai) Co. Ltd, Ferragamo Fashion Trading (Shanghai) Company LTD. Although the companies Ferragamo Retail India Private LTD and Ferrimag Limited are consolidated on a line-by-line basis with respect to financial data, non-financial data are not reported as they do not exist.

tal issues, during 2022 an analysis was undertaken in order to identify the directly operated stores (DOS) which are considered relevant to ensure the necessary understanding of the Group's business, performance, results and environmental impact. For the year 2022, the scope of the stores has been in line with the criteria for calculating the Group's science-based targets, approved by the Science Based Targets initiative in August 2020. This scope excludes DOSs opened after 30 June of the reporting year and temporary stores and represents about 75% of the Group's headcount. In addition, it should be noted that, with reference to stores, in line with 2021, data on water consumption and waste production for 2022 were not calculated since not considered material.

The "Social responsibility" section includes data and information relating to the Fondazione Ferragamo, a related party of the Group, which, although not included in the scope of consolidation of the Salvatore Ferragamo Group, plays a significant role in the way the Group has an impact on society.

Ways of presenting quantitative data other than the above in relation to the scope are expressly indicated in specific notes. In addition, to present fairly the Group's performance and ensure data reliability, the use of estimates has been limited as much as possible. Any estimates in this document are made using the best available methods and expressly noted. Where possible, the information contained in the NFS has been provided along with a comparison to the year 2021. Following a process of improvement in the calculation methodology adopted and in order to ensure comparability, the 2021 data relating to Scope 3 Category 1 emissions have been restated compared with those published in the previous NFS. For previously published historical data, please refer to the 2021 NFS.

Finally, for the sake of understanding the information contained herein, please note that the following terms are used in the document:

a. "the Group" refers to the Salvatore Ferragamo Group ("Group" means the Parent Company Salvatore Ferragamo S.p.A. and the subsidiaries consolidated on a line-by-line basis).
b. "Salvatore Ferragamo", "the Company", "the Parent Company" refer to Salvatore Ferragamo S.p.A.
c. "Italy" refers to the main area of business of Salvatore and Ferragamo S.p.A., unless otherwise specified.
d. "Ferragamo" refers to the Ferragamo Brand.

The NFS has been drafted in accordance with the GRI Standards[11], defined by the Global Reporting Initiative (GRI). A table listing the reported GRI indicators is included at the end of the NFS, providing a summary thereof and the relevant page numbers.

For information on the Non-Financial Statement, please contact csr@ferragamo.com. This document, published on 3 April 2023, is drawn up annually and is also available in the sustainability section of the Group's website (*https://sustainability.ferragamo.com/en*).

The process of collecting and processing data and information was managed by the Sustainability team of Salvatore Ferragamo S.p.A., also thanks to the adoption, as of 2021, of an IT platform for collecting and consolidating non-financial data.

The entity entrusted with the audit of this NFS is KPMG S.p.A., which certifies the compliance of the information provided herein in accordance with article 3, paragraph 10 of Italian Legislative Decree 254/2016 in a separate report. The audit was conducted in accordance with the procedures outlined in the "Independent Auditor's Report" section of this document.

Since the very beginning, the Salvatore Ferragamo Group has always considered sustainability as a model of conduct to follow without any compromises, and it has achieved significant results in this area over the years. In order to reinforce its commitment, in 2017 the Group developed a Sustainability Policy as well as

[11] 2021 versions for Universal Standards and 2016, 2018, 2019 and 2020 versions for Topic Standards.

a continuous improvement program through a Sustainability Plan. In 2022, the Group further strengthened its commitment, integrating in the Strategic Plan – presented to the market on 10 May 2022 – its sustainability strategy, described in detail in the Sustainability Plan. The new Plan for the 2023-2025 three-year period, updated during the year, aims to create a culture of sustainability that respects, protects and promotes excellence, through a new direction that integrates past objectives with the new challenges for the future.
As further evidence of the Group's deep commitment to integrating sustainability into its business operations, some of the main initiatives implemented in each area are outlined below.

ENVIRONMENT

The Group considers the protection of the environment in which it operates to be of fundamental importance: following the definition of science-based targets, several activities aimed at reducing the carbon footprint have been launched. In 2022, the Group achieved a B score in the climate change section of the CDP, which it has been compiling since 2017.

In 2019, the Company obtained ISO 14001:2015 certification for all its Italian offices and stores; the latter were also certified ISO 14064. The Salvatore Ferragamo's Logistics Hub, inaugurated in 2018, in 2019 obtained the LEED Platinum certification, the highest possible. In 2020, the new Salvatore Ferragamo Archive was inaugurated: it is located in the renovated M building of the Osmannoro site, and it also obtained the LEED Platinum certification in 2020.

In 2021, the Group published its Manifesto for Biodiversity, which formalizes its commitment to safeguarding biodiversity, with the aim of making a positive contribution to environmental protection.

The gradual introduction of materials with a lower environmental impact into its collections and packaging continued in 2022. The packaging, in particular, saw an increase in the use of post-consumer fibers in the institutional paper and the replacement of plastic polybags for transporting products with bioplastic and recycled plastic alternatives.

In addition, in 2022, the scope of certification of the Energy Management System according to the ISO 50001: 2018 Standard was extended to all of Italy.

The Group intends to continue its commitment to environment protection, optimizing and making consumption and greenhouse gas emissions more efficient, both for the Group's offices and stores, and continuing the process to obtain certifications.

SOCIAL MATTERS AND RESPECT FOR HUMAN RIGHTS

As regards culture and the local community, the Group directs significant attention and resources to developing artistic and cultural initiatives, in line with the Group Charity Policy.
The Italian administrative offices and stores of Salvatore Ferragamo S.p.A. are ISO 45001 certified. This aspect is also important along the whole supply chain: during 2022, the Group further strengthened the audit activities undertaken on its direct suppliers and subcontractors, continuing to implement the monitoring plan to assess compliance with the Supplier Code of Conduct.
To provide customers with products that meet the highest international safety standards, the Group has adopted Restricted Substances Lists, which it updates regularly for the different product categories, and has been conducting eco-toxicological tests on numerous components and finished products for several years now.
Furthermore, the Group constantly strives to ensure respect for human rights, both internally and throughout the supply chain. In 2019, the Parent Company obtained the SA8000 social responsibility certification for the scope of its Italian operations, which was maintained also in 2022, and adopted the Anti-Child Labor Policy, which aims to further formalize the corporate commitment in this field.
Finally, in the wake of the continuing pandemic and confirming the importance that the Salvatore Ferragamo group attributes to health and safety issues, the Company organized the work of its employees in such a way as to guarantee the highest health and safety standards.

ATTENTION AND CARE FOR ITS HUMAN CAPITAL

The Group has always been committed to promoting and enhancing the potential of its human capital as well as to offering a stimulating work environment, in accordance with corporate welfare principles. The attention and care for employees are expressed not only in the Group's Sustainability Policy, but also in the Parent Company's Business Regulations. Moreover, in order to confirm the importance played by the principles of diversity and inclusion, during 2020 the Group launched a cultural change process linked to the issues outlined in its Inclusion Policy, adopted in 2019. In addition, in 2021 and 2022, it organized two disability-related training courses in Italy, to help raise awareness among employees on this issue and foster a positive relationship between disability and the work environment.

ANTI-CORRUPTION AND ANTI-BRIBERY

In order to ensure the utmost transparency in its operations, during 2017 the Group implemented an Anti-Corruption and Anti-Bribery Policy. In addition, the Group relies on a whistleblowing system and in 2018 implemented a Group Whistleblowing Policy.

For further information on the initiatives undertaken by the Salvatore Ferragamo Group, the main risks generated or faced, including the relevant management procedures and objectives, reference should be made to the relevant sections in this document and to the other sections of the Board of Directors' report on operations by means of appropriate references.

2. CULTURE OF SUSTAINABILITY

2.1 The sustainability journey

The Group's journey towards sustainability started in 2014, when, with the aim of ensuring transparency in respect of its operations, the Company undertook a reporting process on initiatives related to social responsibility, drawing up the first Sustainability Report according to international guidelines. Since 2016, this process has been extended to the entire Salvatore Ferragamo Group.

Since 2014, in order to ensure an integrated approach to managing sustainability-related topics, a cross-functional working group called Green Team has been set up, dedicated to designing and promoting corporate responsibility initiatives. The Team consists of people from several corporate functions, allowing to bring together cross-functional skills in order to promote all-around sustainability. The main responsibility of the Green Team is improving the quality of the workplace and the internal and external impact of the Company's operations, as well as facilitating a direct relationship with the local community in all its environmental and human facets. The specific structure of the Green Team enables the development of sustainability initiatives as part of: Communication, Materials Research & Development, Product Development, Packaging, Logistics, Operations, Raw Material Procurement, eCommerce, Merchandising, Environment and Safety, Community & Charity, Ferragamo Foundation and Museum, Human Resources, Mobility, Store Planning, Finance, Planning & Control, Information Systems, and Legal. In 2022, the Team expanded further to include an area of particular importance for the development of the Group's sustainability strategy: Risk Management.

In 2016, the Company, with a view to transparency and stakeholder engagement, created on the Salvatore Ferragamo Group website a section entirely dedicated to corporate responsibility, which illustrates the main social and environmental sustainability projects that the Group has promoted over the years. In 2021, the new *sustainabiliy.ferragamo.com* website was launched. The new version offers a completely updated design and a more effective and intuitive user experience. The experience was made inclusive and global, thanks to the optimization of the website for all devices and its availability in 8 languages. In addition to the updated corporate website on sustainability, in 2021 the Company also launched Sustainable Thinking, a digital platform that connects the Maison's projects and activities in a single conceptual dimension. The platform aims to stimulate new and innovative ideas thanks to an international network of contributors with different backgrounds and experience, ready to discuss and address issues in harmony with the continuous evolution of sustainable practices.

The Sustainability Policy was published in 2017, with the aim of defining the Guiding Principles relating to the Salvatore Ferragamo Group's areas of social and environmental commitment to be used in the daily management of business activities and of establishing a corporate culture oriented towards fairness and professionalism, promoting honesty, integrity and transparency, encouraging sustainable development, fostering dialog on corporate ethics and increasing stakeholder responsibility. Prepared in accordance with the principles and rules of the Group's Code of Ethics as well as the United Nations' framework concerning Sustainable Development Goals (SDGs), the Policy seeks to encourage the Group's governance bodies, employees and collaborators to share ideas and recommendations to implement sustainability in day-to-day operations. Information and assistance on the interpretation of the Policy can be requested from the Salvatore Ferragamo S.p.A. Sustainability team by sending an email to csr@ferragamo.com.

In August 2020, confirming its commitment to sustainability and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Group defined its science-based targets to reduce its greenhouse gas (GHG) emissions. The Science Based Targets initiative approved two major targets to be achieved by 2029 that include a 42% reduction in the Group's direct emissions and in some categories of indirect emissions. These targets are included among the Group's targets outlined in the new Sustainability Plan for the 2023-2025 three-year period.

SUSTAINABILITY AND FINANCE

More recently, the growing importance of sustainability issues has led to environmental, social and governance factors playing an increasingly important role in medium/long-term investment decisions. For this reason, the Salvatore Ferragamo Group decided to undergo corporate sustainability assessments again in 2022, in order to better understand its position and performance in the Environmental, Social, Governance (ESG) area.

As of 2021, the Company was included in the MIB® ESG index, the first ESG index that tracks Italian blue-chips, designed to identify major listed Italian issuers that present best practices in this area. Moreover, to underpin its strong commitment to sustainability, in 2022 Salvatore Ferragamo obtained the SI Rating certification, achieving for the second consecutive year the Gold level – the highest standard – with an overall rating of 91% and improving its score for each of the ESG dimensions examined. The SI Rating is the first algorithm that brings together on a single platform, all the internationally recognized tools of the ESG criteria and the 17 UN SDGs contained in the 2030 Agenda, to help evaluate the sustainability performance of organizations.

Also with regard to ESG-related activities, in 2020, Salvatore Ferragamo took out a credit line for a total maximum amount of 250 million Euro with Intesa Sanpaolo S.p.A. The loan was granted to support specific ESG targets of Salvatore Ferragamo and to finance general cash needs of the Parent Company, providing for a reward mechanism upon achievement of certain sustainability parameters. During 2022, Salvatore Ferragamo repaid this credit line in advance, in the amount of 125 million Euro.

In 2021, the Company took out two credit lines – one with Unicredit and the other with Banca Nazionale del Lavoro, both in the amount of 80 million Euro – which are structured according to a mechanism that rewards the achievement of certain environmental and social sustainability parameters.

In addition, in 2022, Salvatore Ferragamo opened a new credit line in the amount of 20 million Euro with Banca Nazionale del Lavoro, based on the same mechanism used in 2021.

ASSOCIATIONS AND NETWORKS

Over the years, the Company's commitment to sustainability has been strengthened thanks also to its membership to important associations and networks with a view to sharing experiences and best practices.

Since August 2019, Salvatore Ferragamo has subscribed to the Fashion Pact, a coalition that brings together over 200 leading fashion and textile brands to set out strategic and concrete targets for reducing the environmental impact of this important industry. Supported by some of the leading experts in scientific research and ecosystem preservation, the Fashion Pact has set concrete targets focusing on three areas:

- Climate: implementation of science-based targets (SBTs) to achieve net-zero greenhouse gas emission by 2050;
- Biodiversity: protection of key species, preservation and restoration of critical natural ecosystems;
- Oceans: reduction of the negative impacts of the fashion industry on the oceans by eliminating problematic and unnecessary plastics in packaging.

In order to bring the knowledge of all members of the Pact into line and ensure the achievement of the set targets, also during 2022 the Fashion Pact in collaboration with several partners – companies with technical expertise on the issues addressed – organized many activities and webinars and shared information documents.

Moreover, Salvatore Ferragamo is part of the Fashion Pact Steering Committee, made up of a number of CEOs of member brands, in order to maintain an open dialog between company executives and openly share ideas, guidelines and progress.

Since August 2021, the Company has joined the Leather Working Group (LWG), a non-profit organization for stakeholders in the tanning sector's value chain. The main objective of the LWG is to provide, maintain and develop audit protocols, with the aim of verifying the compliance and environmental performance of tanners around the world, promoting sustainable and appropriate practices in respect of the environment. Thanks to its participation in the LWG, the Company has access to a consolidated environmental audit system, developed by the leading international players in the leather industry and is audited with the aim of promoting continuous improvement in the environmental performance of its business operations.

In order to implement the universal principles of sustainability and support the United Nations' goals, in December 2018, the Salvatore Ferragamo Group joined the United Nations Global Compact, the world's largest corporate sustainability initiative. The United Nations Global Compact provides a universal language for social responsibility and a framework for businesses of all sizes, complexity and location. Moreover, this initiative supports companies in working responsibly and making strategic decisions to promote broader social goals. Each year, the Company takes part in workshops and webinars organized by the Global Compact in order to provide companies with training and support in various areas. In 2021, Salvatore Ferragamo also participated in the drafting of the "Italian Business and Decarbonization: a just and inclusive transition" Position Paper. The aim of the paper is to enhance the commitment of Italian companies participating in the United Nations Global Compact on the issue of decarbonization, taking an in-depth look at their efforts made and results recorded so far to support the targets of the Paris Agreement and of the European ambition to achieve net-zero emissions by 2050.

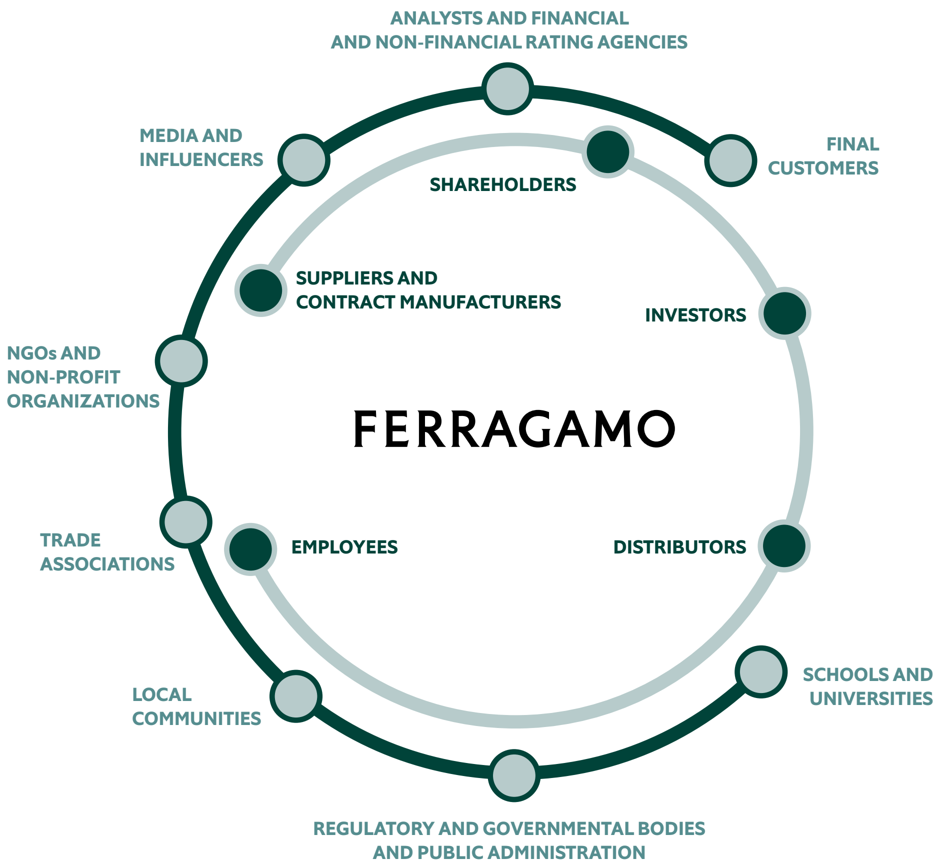
On the subject of diversity and equal opportunities, since 2020 the Company has joined Valore D, the first business association in Italy committed to creating a professional world free of discrimination, where gender equality and a culture of inclusion support the growth of the organization.

In October 2017, the Company signed the Manifesto for a Circular Economy, which establishes an Alliance to promote innovative and sustainable projects. The Italian Alliance for the Circular Economy, promoted by Enel and Intesa Sanpaolo, involves various internationally recognized "Made in Italy" businesses from different sectors. The collaboration aims to develop business models based on sharing, extending products' useful life, re-using and using renewable resources. In November 2018, the Alliance presented a Position Paper with the aim of bringing the issue of circular economy at the very heart of the political agenda and of making proposals for the development of Italian projects on circularity. In September 2020, a new version of the Position Paper was released, which identifies priority actions, valuable experiences and makes concrete proposals for the development of circularity in Italy. Together with the Position Paper, the Alliance website was also created and made available to the public. In 2021, four thematic working papers were published: "Measuring Circularity", "Circular Economy and Finance", "Circularity and Climate Change" and "The Circular Economy in Territories and Cities". The Papers, presented through online meetings, were published on the Alliance website. During 2022, the Alliance produced two sets of guidelines: one on circular declarations and communications and the other on circular procurement. The first document contains guidelines for the implementation of communication policies that adhere to the principles shared by the companies in the Alliance: the document includes a common definition of the circular economy concept and a series of key principles that companies must take into consideration when issuing statements and communications of a circular nature. The second document defines a set of criteria and tools aimed at including circularity principles in procurement processes, a theoretical and organizational framework for the implementation of circular purchasing processes and a common questionnaire for supply chain engagement.

Since 2011, the Salvatore Ferragamo Group has been a member of the Sustainability Workgroup sponsored by the National Chamber for Italian Fashion (CNMI – Camera Nazionale della Moda Italiana), which aims to find an Italian way to making fashion sustainable as well as encourage the adoption of responsible business models throughout the fashion industry's value chain. In 2022, the Company actively participated in the CNMI meetings organized with other Italian brands, taking part in the numerous sessions, in the meetings and in the events promoted over the course of the year. The Company also adheres to Confindustria Moda with the aim of cooperating, within the framework of sector regulations, in the prevention and/or reduction/remediation of negative impacts resulting from its business. With this in mind, in Italy the Company has also joined the Re.Crea Consortium to ensure better compliance with the Extended Producer Responsibility (EPR) requirements for textile waste disposal and, in France, the Citeo Consortium and the Re-Fashion Consortium.

2.2 Stakeholders and materiality

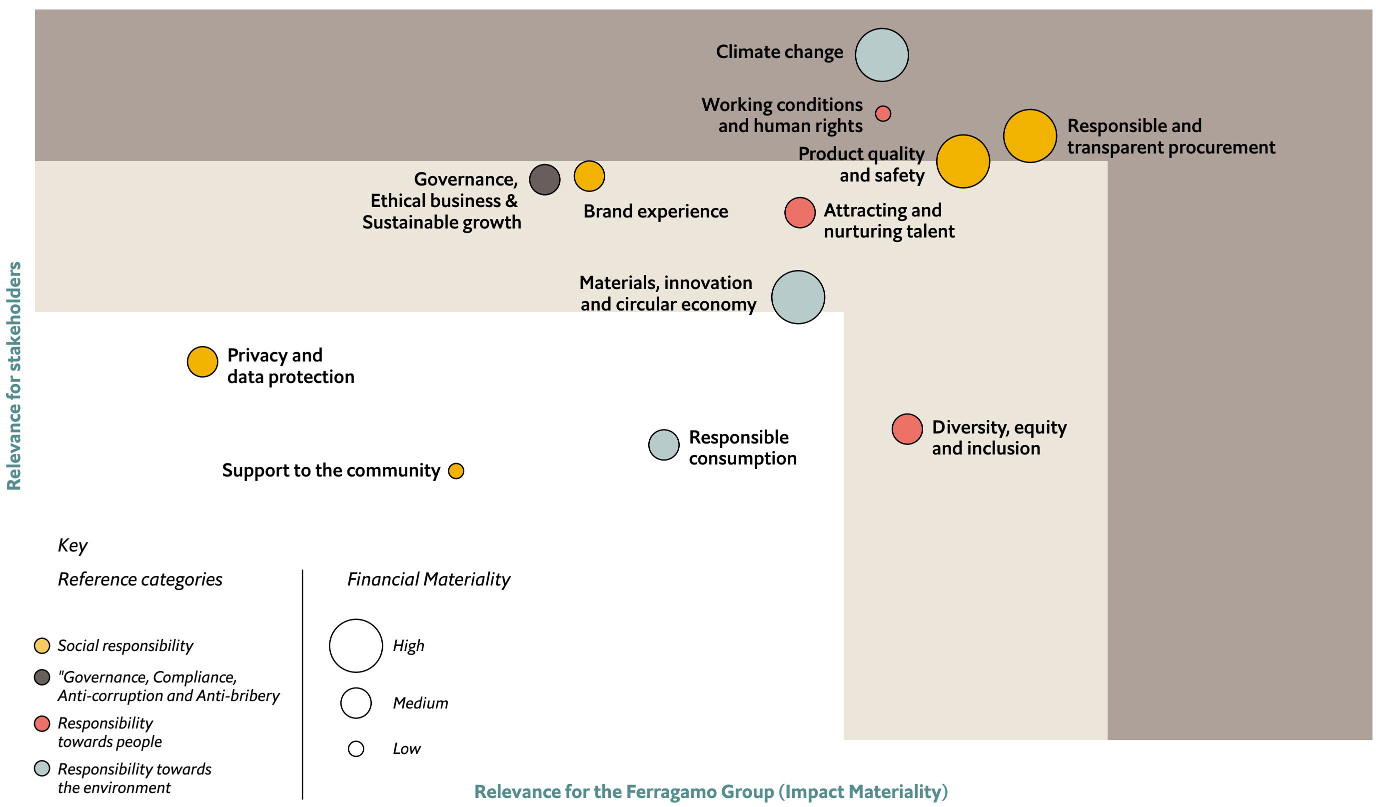
The numerous aspects of the sustainability journey undertaken by the Salvatore Ferragamo Group are based on an approach focused on transparency, integrity and reliability, with the aim of engaging stakeholders in the economic, social and environmental goals of its business. The Group does not simply promote initiatives as part of business ethics, social and environmental responsibility, but recognizes the value of sustainability as part of its corporate strategy and puts forward innovative proposals for its stakeholders. The Salvatore Ferragamo Group has identified and selected its stakeholders based on the awareness of its role and deep connection with local communities, which is necessarily related to its operations, for the purposes of understanding their expectations and translating them into actionable objectives. The following have been identified as internal stakeholders: employees, shareholders, investors, distributors, suppliers and contract manufacturers. The following have been identified as external stakeholders: final customers, schools and universities, regulatory and governmental bodies and Public Administrations, local communities, non-profit and Non-Governmental Organizations (NGOs), media and influencers, trade associations and – introduced since the last edition of the NFS – financial and non-financial rating agencies and analysts, in light of the emerging importance of these entities in the reference landscape, including from a sustainability perspective.



MATERIALITY ANALYSIS

The Salvatore Ferragamo Group's materiality analysis focuses on relevant aspects both for the Group and for its stakeholders. First developed in 2014 with the involvement of the Green Team and Top Management, the materiality analysis was subsequently updated in 2016, 2018 and 2020, and further developed in 2021, in accordance with the Guidelines of the Global Reporting Initiative (GRI Standards) as well as the AA1000 Stakeholder Engagement Standard Guidelines for identifying, mapping and defining stakeholders' expectations as well as for processing the results of their engagement and prioritizing them. This is also in line with the corporate Procedure for the preparation of the NFS ("Procedure for drafting, approving, publishing and filing the NFS").

In 2022, the update of the materiality analysis was conducted in accordance with the new "impact materiality" process defined by GRI 3: Material Topic 2021, according to the requirements set forth in the new GRI Universal Standards 2021. Firstly, this perspective requires companies to identify the impacts that the organization generates on the economy, the environment and people, including impacts in the field of human rights and business relationships (according to an "inside-out" perspective). The details of the impacts analyzed are shown in the following table.
In addition to the impacts generated (impact materiality – "inside-out" perspective), the analysis conducted also led to the identification of the impacts experienced according to an outside-in perspective, identifying their financial relevance – financial materiality – inspired by the concept of "double materiality". For the Group, the latter was calculated starting from Enterprise Risk Management (ERM) and is reflected in the topics graphically represented in the matrix according to the size of the circle of each topic (low-medium-high), as shown in the key. This allows a single matrix to provide both the inside-out perspective, typical of Impact Materiality, as well as the outside-in perspective, typical of Financial Materiality.



In 2022[12], the update of the materiality analysis saw the engagement of different categories of stakeholders, both internal and external to the Group, called upon to express their opinion in the process of defining, assessing and prioritizing material topics.
The first phase of the materiality update involved the identification of all potential material topics for the Group, thanks to the analysis of corporate documentation, external documents on scenario changes and assessment questionnaires of sustainability rating companies, and through a comparison with the reference sector. Subsequently, an online questionnaire was prepared with the aim of identifying, through the assignment of scores, those topics that, for their significance and relevance, should guide the process of preparing the Non-Financial Statement, as well as of gaining insights for improvement in non-financial reporting practices. This questionnaire was submitted to the Board of Directors, the Control and Risk Committee, the Green Team, some suppliers of ancillary goods and services, some analysts and rating agencies and a selected group of tanneries. Moreover, online dissemination enabled the Company to reach numerous external stakeholders, including suppliers, NGOs and non-profit organizations, schools and universities and local public bodies. The update concluded with workshops for Top Management, an important opportunity for listening and exchanging opinions, conceived to discuss and raise awareness among the participants involved, from a predominantly strategic point of view, on the relevance of the material topics identified in light of the changing reference context. During these meetings, important feedback was received on the main sustainability trends and levers, as well as in relation to the material topics identified. The sessions included the active engagement of stakeholders, through interactive digital voting, as well as sharing and discussing the results.

Additional listening opportunities, which contributed to the update of the materiality analysis, also occurred at the end of 2021: the Group, in fact, extended specific questionnaires to Store Managers in Italy, Europe, America, Asia Pacific and Japan, recording a response rate of around 75%. Thanks to these activities, it was possible to receive important feedback and collect ideas on the materiality of the identified topics, allowing the Group to grasp, even if indirectly, the perception that customers and the market have in relation to the Ferragamo Group's commitment to sustainability and how this is reflected in its products. In addition to the Store Managers' ideas, the 2022 matrix representation also integrates the feedback that emerged from the previous round of stakeholder engagement with the Region, Audit, Risks, Legal and Wholesaler managers that took place in November and December 2021. Considering the different assessment methodologies used, the integration of the results of previous stakeholder engagement activities involved the application of minor quantitative adjustments, identified on the basis of the analysis of the data and information collected.

The result of the analysis carried out was shared with the CEO, the Control and Risks Committee, Top Management and the Green Team.

Compared to the matrix from the previous reporting period, it should be noted that the "Animal Welfare" and "Biodiversity" topics were included in "Responsible and transparent procurement"; the "Employee Welfare and Well-being", "Health and Safety" and "Respect for and promotion of human rights" topics in "Working conditions and human rights", while "Quality and Made in Italy" was merged into "Responsible and transparent procurement" and "Product quality and safety". In addition, the "Governance and Culture of Sustainability", "Ethical Business and Anti-corruption" and "Value Creation and Risk Management" topics were merged into the "Governance, Ethical Business & Sustainable Growth" topic.
It should be noted that, compared to the matrix published in 2021, "Climate change" is one of the most significant topics, in light of the increase in relevance for stakeholders. Similarly, the topics "Working conditions and human rights", "Responsible and transparent procurement" and "Attracting and nurturing talent" have also increased in relevance.

[12] Additional references to previously conducted stakeholder engagement activities are available in previous editions of the NFS. Over the years, stakeholder engagement activities have seen the involvement of Top Management, committees and internal reference functions, Group employees, including Store Managers and Assistant Store Managers, important academic institutions, as well as suppliers and contract manufacturers.

PRIORITIZED LIST OF MATERIAL TOPICS

Material Topic	Impacts	Actual/Potential	Management methods	Involvement
Climate change	- GHG emissions into the atmosphere. - Partial contribution to the change in average temperatures/loss or preservation of biodiversity.	Actual Actual	- Adoption of practices and behaviors aimed at mitigating and adapting to climate change. - Monitoring of GHG emissions and promotion of policies and practices aimed at contributing to the fight against climate change, including through the use and adoption of "green" technologies and energy from renewable sources. - Definition and pursuit of a climate strategy with medium/long-term emission reduction targets in line with the Paris Agreements (science-based targets or SBTs). - Participation in national and international initiatives (e.g. Fashion Pact).	Caused by the Group and directly connected to its business relations
Working conditions and human rights	- Decent employment (remuneration, incentives, well-being, identity and sense of belonging). - Promotion of a fair and inclusive work environment. - Violation of human rights along the value chain (e.g. child labor, forced labor, discrimination, other labor law rights, etc.). - Promotion of a safe working environment (reduction of work-related accidents/ill health/injuries). - Promotion of the safety and well-being of employees and collaborators.	Actual Potential Potential Actual Actual	- Implementation of welfare programs aimed at supporting employees' working and private life, definition of initiatives to promote work flexibility (working hours, remote working, etc.) and to support employees' spending capacity, development of health and wellness plans for employees. - Dissemination of policies and practices aimed at ensuring respect of human rights at all operational levels and in collaborations with suppliers, business partners and other entities operating in the name and on behalf of the Group. - Implementation of training courses and practices aimed at fostering respect for human rights and workers' rights. - Implementation of due diligence activities aimed at the identification of potential risks relating to human rights and implementation of remediation plans in the event that violations are confirmed. - Promotion of the highest standards relating to occupational health and safety, compliance with regulatory requirements and agreements entered into on matters of safety, prevention, hygiene and health in the workplace. - Adoption of measures and practices, even beyond what is prescribed by current regulations, aimed at minimizing risks to the health and safety of Group employees and collaborators. - Implementation of training plans to progressively increase the level of awareness and knowledge concerning the risks to which all people who access the Group's offices are exposed.	Caused by the Group and directly connected to its business relations

Key:
positive impacts and negative impacts

Material Topic	Impacts	Actual/Potential	Management methods	Involvement
Responsible and transparent procurement	- Decent employment (indirectly, through good suppliers' practices). - Promotion of processes for the socioeconomic development of territories. - Maintenance of technical/craft skills on the territory and between generations. - Respect for the environment (indirectly, through good suppliers' practices). - Promotion of business ethics (e.g. anti-corruption)/ regulatory compliance. - Promotion of Made in Italy, of Italian craftsmanship and creativity, with direct and indirect benefits to the positioning of the Italian industry and its textile/footwear sector in the world. - Promotion of animal welfare. - Customer satisfaction/ response to their needs and requirements. - Protection of biodiversity (terrestrial and marine ecosystems) and promotion of good environmental practices. - Group contribution to: • vulnerability to natural disasters; • mitigation of impacts on the availability and quality of resources/ raw materials; • public health.	Actual Actual Actual Actual Actual Actual Actual Actual Actual Actual	- Responsible management of procurement processes throughout the supply chain. - Dissemination of sustainability principles, evaluation and screening of suppliers, including on the basis of environmental, social and governance criteria, and promotion of good behavior and practices that stimulate suppliers in adopting ethical and sustainable behaviors. - Implementation of systematic improvement measures to reduce the impact on terrestrial and marine ecosystems of the products and services offered, in line with the needs of sustainable development. - Promotion of policies and activities aimed at protecting biodiversity, including through specific training courses and participation in national and international initiatives. - Compliance by the Group with national and international laws and regulations and adoption of reference standards and principles, in order to ensure the ethical treatment of animal species with regard to both species bred for food purposes and wild ones. - Promotion and enhancement of Made in Italy, Italian creativity and craftsmanship. - Compliance with current legislation on the origin of the product. - Promotion of and respect for animal welfare throughout the supply chain.	Caused by the Group and directly connected to its business relations

Key:
positive impacts and negative impacts

Material Topic	Impacts	Actual/Potential	Management methods	Involvement
Product quality and safety	- Promotion of Made in Italy, of Italian craftsmanship and creativity, with direct and indirect benefits to the positioning of the Italian industry and its textile/footwear sector in the world. - Customer satisfaction/ response to customer requests for a product with the highest standards of quality and safety. - Promotion of the health and safety of workers and collaborators, as well as of customers (with regard to the use of chemicals).	Actual Actual Actual	- Promotion and enhancement of Made in Italy, Italian creativity and craftsmanship. - Compliance with current legislation on the origin of the product. - Constant commitment to the creation of a product with the highest standards of quality and safety for customers. - Ensure compliance with current regulations in the use of chemicals. - Use of high-performance processes to reduce the use of substances harmful to consumer health and the environment.	Caused by the Group and directly connected to its business relations
Attracting and nurturing talent	- Decent employment (remuneration, incentives, well-being, identity and sense of belonging). - Promotion of a fair and inclusive work environment.	Actual Actual	- Promotion of adequate management of the working environment and engagement of the Group's human resources through the development of HR policies aimed at attracting and recognizing the value of employees (e.g., remuneration policies, performance evaluations), the promotion of continuous training and development aimed at enhancing employees' technical, managerial and organizational skills, also to promote talent retention. - Implementation of welfare programs aimed at supporting employees' working and private life, definition of initiatives to promote work flexibility (working hours, remote working, etc.) and to support employees' spending capacity, development of health and wellness plans for employees.	
Brand experience	- Stakeholder satisfaction/ Development and provision of quality services that meet the needs of the Group's stakeholders, with particular reference to customers.	Actual	- Enhancement of the characteristic identity of the Brand and promotion of programs and activities aimed at fostering recognition and positioning among all stakeholders (e.g. employees, customers, suppliers). The topic includes the characteristic aspects relating to customer experience.	
Materials, innovation and circular economy	- Promotion of innovation/research and development to enhance the sustainability of the sector. - Promotion of good practices for reuse/ recycling, waste reduction and proper disposal of materials, including packaging.	Actual Actual	- Responsible use of materials (favoring raw materials with a low environmental impact, innovative technologies and alternative materials), to reduce the environmental impact of Ferragamo products and their packaging. - Responsible and conscious management of waste, encouraging reuse and recycling and contributing to the transition to a circular economy model aimed at ensuring greater environmental protection. - Implementation of training and awareness-raising activities for employees, suppliers and collaborators concerning waste minimization and the recovery of waste materials generated by production processes, as well as on issues related to the correct disposal of waste.	

Key:
positive impacts and negative impacts

Material Topic	Impacts	Actual/Potential	Management methods	Involvement
Governance, Ethical Business & Sustainable Growth	- Promotion and dissemination of good sustainability practices along the value chain. - Promotion of anti-corruption and anti-bribery practices. - Promotion of good business integrity practices. - Payment of wages/ recognition of financial liabilities. - Distribution of value to stakeholders. - Risk mitigation/ Expansion of opportunities adopting a 360 degree perspective, including in the ESG field.	Actual Actual Actual Actual Actual Actual	- Pursuit of sustainable business success. - Promotion of an adequate governance and organizational structure and of a corporate culture based on good behaviors, in compliance with the laws and regulations in force in the countries in which the Group operates, in the environmental, economic and social fields. - Commitment to transparency, promoting both internal and external communication that is effective and timely. - Promotion and compliance with the highest standards of ethics, honesty and fairness in all relations within and outside the Group, in accordance with laws and regulations in force. Promotion of anti-corruption and anti-bribery practices, both in relation to internal and external stakeholders. - Creation of value in the medium/long term for the organization, its stakeholders and the communities in which the Group operates. - Use of corporate tools, rules, procedures and organizational structures in order to ensure effective identification, measurement, management and monitoring over time of the main risks/opportunities to ensure a healthy, correct and consistent business management with respect to corporate objectives.	Caused by the Group
Diversity, Equity & Inclusion	- Decent employment (remuneration, incentives, well-being, identity and sense of belonging). - Promotion of a fair and inclusive work environment.	Actual Actual	- Development of appropriate policies, practices and working conditions to ensure and promote equal opportunities, respect for diversity, equity and inclusion, combating all forms of discrimination based on gender, age, religion, sexual orientation, origin and other spheres not related to professional life.	
Responsible consumption	- Use of raw materials/ energy. - Environmental impacts (e.g. waste, water – withdrawal and discharge).	Actual Actual	- Efficient management of energy and water consumption, through ad hoc policies, actions and programs. - Reduction of energy consumption deriving from fossil fuels, increase in energy supply from renewable sources and gradual efficiency improvement of particularly energy-intensive activities. - Implementation of programs and initiatives for the reduction of waste.	Caused by the Group and directly connected to its business relations
Support to the community	- Promotion of social and economic development in the communities in which the Group operates.	Actual	- Contribution to the social and economic development of the communities in which the Group operates, through investments, projects, programs and initiatives (e.g., charitable initiatives, collaborations with schools and universities). - Stakeholder engagement and continuous listening initiatives in order to implement growth strategies with positive impacts for the local communities, including through activities to identify needs and expectations. - Sharing of business know-how for the development of the local communities.	

Key:
positive impacts and negative impacts

Material Topic	Impacts	Actual/Potential	Management methods	Involvement
Privacy and data protection	- Secure management of data and information, in line with the needs and expectations of stakeholders, and in accordance with applicable legislation.	Actual	- Adoption of policies and procedures aimed at ensuring the security and protection of information and confidential data belonging to Group stakeholders. - Implementation of appropriate measures to mitigate cybersecurity risks. - Definition of confidentiality rules in order to avoid improper disclosure of information and data. - Processing of information relating to the Group's activities, to the data concerning workers, collaborators and third parties in compliance with current regulations on privacy.	Caused by the Group

Key:
positive impacts and negative impacts

BUSINESS COMMITMENTS AND STAKEHOLDER EXPECTATIONS

Stakeholders	Summary of commitments and activities	Summary of engagement efforts	Summary of stakeholder expectations
Final customers	The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create short-, medium- and long-term value. Among the many commitments undertaken, in particular, the Group's Sustainable Thinking strategic approach and the efforts in the field of anti-counterfeiting should be mentioned.	- Business projects aimed at greater customer understanding and engagement (Virtual Showroom, ClientiAmo App); - Relationships related to the sales process (store and eCommerce).	- Quality, safety, traceability and sustainability of products and materials; - Quality and customized shopping experience; - Ongoing assistance and consultancy services; - Information on the correct use and storage of products.
Financial and non-financial rating agencies and analysts	The Group is committed to communicating financial and non-financial information in a transparent and timely manner, according to best practices and best methodologies available.	- Structured reporting as part of requests for financial and non-financial information.	- Transparency, timeliness and reliability of financial and non-financial information.
Trade associations	The Group maintains constructive relationships with trade associations, also with a view to promoting an understanding of the needs and trends of the Fashion & Luxury markets, facilitating discussion and contributing to the sustainable development of the sector and of Made in Italy.	- Contribution to events and activities; - Specific meetings and conferences, including in the area of sustainability.	- Compliance with the requirements for participation and active involvement on the Group's part in the dialog and in the events and/or activities promoted; - Sharing of industry-relevant insights (e.g., sustainability trends, global initiatives, sales trends of specific products); - National and international collaborations and initiatives aimed at promoting Made in Italy in the world.
Media and influencers	The Group maintains a close and ongoing collaboration with the media and influencers, including through interviews, presentations and dedicated events, committing itself to contributing to the promotion of information campaigns related to sustainable innovations, new circular trends, industry innovations or any actions taken in favor of the community and the environment.	- Interviews; - Corporate events; - Press conferences.	- Timely and truthful disclosure of the Group's performance and of the main market innovations introduced; - Presentation of the social, cultural and environmental initiatives undertaken; - Presentation of the innovations developed and of trends in the area of sustainability.

Stakeholders	Summary of commitments and activities	Summary of engagement efforts	Summary of stakeholder expectations
NGOs and non-profit organizations	The Group constantly dialogs with NGOs and with the Third Sector world, contributing to specific projects: in fact, it has been engaged in initiatives and partnerships dedicated to the well-being and health of women and children for years. To this end, the Group promotes paying close attention to the requests and expectations of the many non-profit organizations, maintaining a close collaboration with them focused on supporting local communities.	- Dialog and collaboration with non-profit organizations, including through the provision of donations, contributions and sponsorships.	- Participation and support of the Group in cultural development and social inclusion projects.
Local communities	The Group carries out its activities paying close attention to the needs of the territories in which it operates, with the aim of extending the positive impacts of its activities to local communities.	- Initiatives for the involvement of local communities; - Continuous relationship with the main local players.	- Implementation of business practices that protect the territory; - Promotion of local development.
Regulatory and government bodies and Public Administrations	The Group engages with regulatory and government bodies and Public Administrations with the utmost integrity and fairness, on the basis of the principles, roles and responsibilities identified pursuant to current legislation in force, to maintain a constructive collaborative relationship and at the service of the community's interests.	- Formal communications, in the various areas of reference (e.g. Governance, Tax).	- Compliance with current regulations; - Anti-Corruption and anti-bribery; - Prevention of crimes pursuant to Italian Legislative Decree 231/2001; - Reliability and transparency towards the needs of Public Administrations.
Schools and universities	The Group promotes an inclusive dialog with universities, training schools and national and international research centers, including with the aim of sharing passion and expertise in relation to the Fashion & Luxury sector with the new generations.	- Workshops; - Online questionnaires; - Training activities and initiatives; - Collaborations with universities and research centers.	- Promotion of youth employment and research & development, including in the sustainability field; - Development of activities of interest, with the active involvement of students.
Employees	The Group has always been committed to fostering development and recognizing the value of its employees, including by offering a stimulating work environment, attentive to corporate welfare. Confirming the importance played by the principles of diversity and inclusion, in 2021 and 2022 the Group organized two disability-related training courses in Italy, to help raise awareness among employees on this issue and foster a positive relationship between disability and the work environment.	- Online sustainability questionnaires; - Knowledge Sharing sessions.	- Safe and fair workplaces; - Respect for the principles of diversity, equity and inclusion; - Employment stability and corporate welfare; - Opportunities for personal and professional growth; - Fair remuneration policies and meritocratic systems; - Compliance with labor laws in force.
Distributors	The Group has always promoted a close dialog aimed at creating and maintaining stable and lasting collaborative relationships with its distributors.	- Online questionnaires; - Normal business relationships.	- Compliance with contractual conditions; - Fair and non-discriminatory treatment.
Investors	The Group interacts on an ongoing basis with investors, ensuring a transparent, constant, clear, accurate and timely dialog.	- Normal Investor Relations; - Shareholders' Meetings; - Corporate visits.	- Transparency in relation to its financial and non-financial performance; - Continuous improvement in the ESG field.
Shareholders	One of the main objectives of the Group is to ensure the sustainable success of the business, including with a view to creating added value for its shareholders. In this context, the Group interacts on an ongoing basis with shareholders, adopting the best Investor Relation practices.	- Normal Investor Relations; - Shareholders' Meetings; - Corporate visits.	- Share value growth; - Transparency in relation to its financial and non-financial performance; - Continuous improvement in the ESG field.
Suppliers and contract manufacturers	The Group supports a close dialog aimed at creating and maintaining stable and lasting collaborative relationships and promotes the adoption of ethical, as well as socially and environmentally responsible behavior amongst its suppliers and contract manufacturers.	- Workshops; - Online sustainability questionnaires; - Use of the FerragamoLink internal platform; - Normal procurement relationships.	- Compliance with contractual conditions; - Continuity in supply demand; - Fair and non-discriminatory treatment.

2.3 Sustainability Plan and SDGs

To confirm its commitment to sustainable development, as from 2016, the Salvatore Ferragamo Group launched a procedure for defining its sustainability goals, starting from the analysis of the United Nations' Sustainable Development Goals (SDGs) and translating them into concrete actions to be developed in-house. This process drew to a close with the identification of the main goals to be pursued in its operations and with the adoption, in 2017, of the first Group's Sustainability Plan. After signing the Fashion Pact, in 2019 the Group stepped up its commitment in the field of environmental protection by integrating three additional UN Sustainable Development Goals (SDGs) into the Sustainability Plan: "Climate action", "Life below water" and "Life on land".

The Plan is updated annually. It aims to create a shared vision of the direction taken at Group level and to promote a culture of sustainability that respects, protects and promotes excellence. The Plan aims to integrate existing goals and commitments, both in terms of sustainability and business strategy, with new challenges for future development. The document is shared with Top Management and the Control and Risk Committee, which oversees sustainability issues related to the Company's operations and its interaction with all stakeholders. Some of the KPIs identified in the Sustainability Plan will be used for determining the short and long-term remuneration of the Group's managers, as better detailed in the Remuneration Policy to be submitted to the Shareholders' Meeting on 26 April 2023.

The new Sustainability Plan of the Salvatore Ferragamo Group, with a three-year horizon (2023-2025), rests on five pillars: Carbon Emission Reduction, Sustainable Materials with Focus on Leather, Circular Economy and Recycling, Supply Chain Transparency and Local Focus, Foster Diversity & Inclusion.

CARBON EMISSION REDUCTION
Improve environmental performance to achieve Fashion Pact goals and science-based targets

SUSTAINABLE MATERIALS WITH FOCUS ON LEATHER
Promote innovation and use new sustainable and responsible materials

CIRCULAR ECONOMY AND RECYCLING
Promote circular economy and reduce waste

SUPPLY CHAIN TRANSPARENCY AND LOCAL FOCUS
Improve supply chain transparency, traceability and sustainability performance of suppliers

FOSTER DIVERSITY & INCLUSION
Promote a positive work environment and improve talent attraction

The Plan identifies 12 specific targets for each pillar and defines the individual measures to be implemented over a three-year period. In defining the Plan, the priorities identified in past years were taken into consideration, such as those deriving from the adoption of the SDGs, the signing of the Fashion Pact and the definition of the science-based targets.

ESG BUILDING BLOCK	TARGET	TIMING
CARBON EMISSION REDUCTION	42% reduction in Scope 1 and Scope 2 absolute GHG emissions by 2029 compared to 2019 (science-based target)	2029
	42% reduction in Scope 3 absolute GHG emissions, deriving from the purchase of goods and services and from the downstream transport and distribution by 2029 compared to 2019 (science-based target)	2029
	100% renewable energy in all its offices	2030
SUSTAINABLE MATERIALS WITH FOCUS ON LEATHER	25% of raw materials with reduced environmental impact	2025
	Elimination of problematic and unnecessary plastics in B2C packaging by 2025, and in B2B packaging by 2030	2025/2030
	At least half of all necessary plastic packaging made from 100% recycled material by 2025 for B2C, and by 2030 for B2B	2025/2030
CIRCULAR ECONOMY AND RECYCLING	Developing specific projects to extend the durability of products	2025
	Increasing the circularity performance of materials within the value chain	2025
SUPPLY CHAIN TRANSPARENCY AND LOCAL FOCUS	Strengthening of production chain monitoring and collaborating with suppliers for the development of shared value projects	2025
	Defining and implementing a chemical management strategy for progressive phase-out	2025
	Supporting the elimination of deforestation and sustainable forest management and developing individual projects on biodiversity	2025
FOSTER DIVERSITY & INCLUSION	Supporting diversity, equity and inclusion in the workplace through programs and concrete actions	2025

Good health
In line with its own Charity Policy, the Group is committed to promoting and supporting initiatives aimed at protecting the health of women and children.

Quality education
The Group, in collaboration with the Ferragamo Foundation, is committed to investing in the education and training of those who intend to work in the fashion and design world and in the highest and most artistic forms of Italian craftsmanship, in line with the stylistic values and canons expressed in the work of its Founder.

Renewable energy
The Group is committed to protecting and safeguarding the environment through continuous improvement of energy efficiency in its consumption and by promoting the use of renewable sources.

Decent work and economic growth
The Group focuses its commitment on encouraging and enhancing people's professional development, while respecting the community historical values, in order to encourage innovation and creativity, while also ensuring the healthiness of the workplace.

Sustainable cities and communities
The Group is committed to directing significant attention and resources to artistic and cultural initiatives, in order to ensure a more responsible management of urban areas and promote culture in all its forms and expressions.

Responsible consumption
The Group is committed to guaranteeing responsible management in its processes to produce and consume resources, raw materials and packaging materials, investing in quality in order to reduce the environmental impact and extend the life cycle of its products, and reporting on its business based on the principle of transparency.

Climate action
With a view to combating climate change, the Group is committed to protecting and safeguarding the environment through strategies and initiatives intended to minimize the environmental impact of its operations.

Life below water
The Group is committed to protecting the oceans, seas and marine resources through concrete initiatives such as reducing the use of single-use plastic.

Life on land
In order to restore biodiversity, the Group is committed to implementing meaningful actions to protect species and promote a sustainable use of the terrestrial ecosystem.


FERRAGAMO
RESPONSIBLE PASSION

2.4 Ethical business

The Salvatore Ferragamo Group promotes at all company levels the values of transparency, honesty, fairness and compliance with regulations. These values are contained in the Group's Code of Ethics with which employees, suppliers and collaborators are required to comply when carrying out their activities.

TAX STRATEGY

The ethical principles and the general rules of the Code of Ethics are also complied with in the tax area, knowing that the activities carried out are accompanied by potential reputational, social and environmental implications and that tax revenues are one of the sources of contribution to the economic and social development of the countries in which the Group operates. The Group, in order to ensure that its companies fully comply with all tax obligations in the jurisdictions in which it operates, implements careful management of tax activities and risks and acts in accordance with the values of honesty and integrity, involving top management on issues of greatest impact and complexity and entrusting the Chief Financial Officer with the responsibility for defining and monitoring such management. Moreover, the Group Tax Director reports to the Chief Financial Officer and is supported by professionals with extensive knowledge and experience who together make up the Tax Management function.

In this perspective, the Group adopted an integrated tax approach through appropriate organizational procedures and solutions, developed in order to define, inter alia, roles, responsibilities, operational and control activities, and information flow patterns. In 2021, the Group adopted a tax strategy, approved by the Board of Directors, both for the Group (Global Tax Strategy) and for the individual Salvatore Ferragamo S.p.A. (Tax Strategy). In particular, the ethical principles and general rules that should characterize the activities of all Group companies in tax matters have been established:

- sustained growth of corporate assets and protection of the Group's reputation, ensuring efficient management of the "tax cost" connected to business activities, aiming to optimize the fiscal variable in compliance with all laws and obligations, applying the level of taxation considered correct and striving to avoid or contain double taxation;
- correct and timely determination and settlement of taxes due by law and execution of related obligations;
- containment of tax risk, i.e., the risk of incurring violations of tax regulations or abuse of the principles and purposes of the tax system through appropriate procedures and organizational solutions;
- good faith and transparency in the relationship with tax authorities by being recognized as a reliable counterparty with whom to establish collaborative relationships;
- promotion of a tax culture oriented towards transparency, honesty, fairness and compliance with the law at all corporate levels.

In order to ensure a correct, timely and effective approach to tax risk management, as of 2022 Salvatore Ferragamo S.p.A. has adopted a Tax Control Framework, consisting of an internal control system for tax-related processes. In compliance with OECD (Organization for Economic Co-operation and Development) guidelines, the system was implemented with the aim of adhering to the Collaborative Compliance regime pursuant to Italian Legislative Decree no. 128 of 5 August 2015. Within the Tax Control Framework, Salvatore Ferragamo S.p.A. appointed a Tax Risk Officer, responsible for monitoring and updating the framework, and defined a Tax Compliance Model, which is currently being approved, consisting of a document that defines roles and responsibilities within the organization in relation to tax risks and their control. Again within the Tax Control Framework, the Company defined a policy for the management of interpretation risk, which is also in the process of being approved, applicable in cases of significant uncertainties in the interpretation of tax rules.
Some tax-relevant processes are mapped also as part of Model 262, adopted by Salvatore Ferragamo S.p.A. pursuant to Italian Law 262/2005, which envisages specific monitoring and control obligations and responsibilities for listed companies with regard to the preparation of

accounting documents and financial disclosure to the market.

In order to efficiently manage tax risk and to consistently distribute the tax burden among the countries in which it operates, building and maintaining cooperative and transparent relationships with the tax authorities, the Group pursues a strategy based on the conclusion of Advance Pricing Agreements, with the aim of determining in advance with the tax authorities the transfer pricing method deemed to be in line with the arm's length principle. In 2021, the Company submitted to the competent authorities an application to renew the advance tax agreement for companies engaging in international activities, which was applied in the 2017-2021 five-year period; the agreement was renewed in 2022 and is valid for the 2022-2026 period. In the future, the Group intends to initiate advance tax agreement procedures with the tax authorities of the countries in which it operates: this strategy makes it possible to establish transparent relations with the tax authorities, thus enhancing long-term relationships, and ensures certainty of the tax burden.
With regard to the reporting of quantitative tax information, please refer to the "Annexes" section of the NFS.

In order to facilitate the identification of potential tax risks or incentives, the Group considers it essential to increase the tax awareness of employees, regardless of their corporate function. In this perspective, information activities on tax matters are promoted, with a special focus on issues and regulatory changes that may affect business activities.
The Group takes a transparent and collaborative approach with all stakeholders, including shareholders, employees, institutions and trade associations, to support the development of effective tax systems in different countries. Indeed, the Group has been an active member of the Taxation Working Group of the Altagamma Foundation, which brings together the tax managers of many of its associated companies and represents the luxury sector before Italian and EU public authorities on all tax-related issues, since its establishment. In addition, since 2022, it is a member of the Tax Policy Committee of the American Chamber of Commerce in Italy, which deals with tax matters relevant to companies operating both in Italy and in the United States of America.

Finally, the Group maintains a cooperative and transparent relationship with all tax authorities in the countries in which it operates, ensuring that they can, if necessary, carry out audits on Group companies, including acquiring a full understanding of the facts underlying the application of tax rules in a timely manner. Since its listing on the Milan Stock Exchange, the Group's objective has been to use all channels of transparent and preventive dialog with the tax authorities, also by collaborating in the definition of new standards in matters concerning the sector of reference.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The commitment to a conscious and correct operation is also reflected in the Group's ability to efficiently evaluate and allocate resources, creating and distributing wealth among the different categories of stakeholders. In 2022, the economic value generated by the Salvatore Ferragamo Group amounted to approximately 1,321.3 million Euro. On the other hand, the distributed economic value increased from 959.2 million Euro in 2021 to 1,139.8 million Euro in 2022. In particular, 86% of the economic value generated by the Salvatore Ferragamo Group was distributed to internal and external stakeholders. The remaining 14% was retained within the Group.

Economic value generated and distributed

(In thousands of Euro)	31 December 2022	31 December 2021
Economic value generated by the Group	**1,321,246**	**1,223,011**
Total revenues	1,251,808	1,166,830
Other income	19,160	27,150
Bad debt provision	(1,649)	(673)
Financial income*	51,927	29,704
Economic value distributed by the Group	**1,139,819**	**959,158**
Value distributed to suppliers	689,217	658,831
Value distributed to collaborators	259,293	213,533
Value distributed to lenders**	78,703	50,621
Value distributed to shareholders	56,735	-
Value distributed to Public Administration	53,896	34,678
Value distributed to the community	1,975	1,495
Economic value retained by the Group	**181,427**	**263,853**
Amortization, depreciation and write-downs	170,962	163,172
Provisions	5,053	2,427
Deferred taxes	(3,205)	17,117
Reserves	8,617	81,137

* Including income from exchange rate differences.
** Including financial charges from exchange rate differences.

Economic value distributed in 2022
Salvatore Ferragamo Group

2.5 Sustainability governance and risk management

Salvatore Ferragamo S.p.A.'s Corporate Governance system is consistent with the recommendations of the Corporate Governance Code for Listed Companies drawn up by the Corporate Governance Committee. For a more detailed description of the structure, composition and roles, please refer to the paragraph "Information on Corporate Governance and ownership structure" in the Board of Directors' report on operations as well as to the Corporate Governance Report.

The Control and Risk Committee (CRC), also responsible for Transactions with related parties and Corporate sustainability, was set up by the Board of Directors on 22 April 2021, in compliance with the provisions of the Corporate Governance Code of listed companies. The Control and Risk Committee is composed of three non-executive and independent Directors, and, as part of its activities supporting the Board of Directors, in accordance with the recommendations of the Corporate Governance Code and the applicable legal and regulatory provisions, it carries out, among others, the following tasks:

- supports the Board of Directors in defining the guidelines for the internal control and risk management system, ensuring that the main risks related to the Parent Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, also determining the degree of compatibility of these risks with a business management consistent with the strategic objectives identified;
- evaluates the suitability of periodic, financial and non-financial information, ensuring that the Group's business model, corporate strategies and the impact of its business activities and performance are correctly represented;
- examines the content of non-financial periodic information relevant to the internal control and risk management system;
- expresses opinions on specific aspects relating to the identification of the main business risks and supports, with suitable inquiries, the assessments and decisions of the Board of Directors relating to the management of risks deriving from unfavorable events and facts which the Board has become aware of, including risks that may be relevant for the Company's business in terms of sustainability in the medium/long-term.

It should also be noted that the Control and Risk Committee receives regular updates from the Sustainability team and that, in addition to the CRC, within the Company's organizational structure, the role of Chief Transformation & Sustainability Officer has been established, having responsibility for all initiatives related to the transformation process and sustainability.

With reference to the identification and management of risks, during 2022 the review of the enterprise risk management model (ERM Model) was completed, in order to foster an ever greater integration between enterprise risk management, strategy and corporate performance across all levels of the organization. The Model, in line with recognized Enterprise Risk Management ("ERM") standards and best practices, draws on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (known as "CoSO ERM 2017") adopting the principles in line with the corporate strategic guidelines communicated to the market on 10 May 2022.
In this regard, the Group confirmed the following types of risks: strategic, operational, financial and compliance. Furthermore, for each risk area, regardless of the reference category, potential environmental, social or governance (ESG) risk factors are detected and identified across the board.
This approach is integrated in the ERM model development path undertaken and constantly strengthened with a view to continuous improvement and has made it possible to further increase the level of awareness, understanding and monitoring, within the Group, of risks and opportunities in an integrated manner, consistent with the guidelines defined by the Corporate Governance Code and in line with the main regulatory and context-specific elements.

The identification of corporate risks starts from the analysis of the main risk areas with a direct/indirect impact on the achievement of the goals defined in the Strategic Plan. The process provides for an in-depth analysis of these areas through the identification of specific forward-looking scenarios, subsequently evaluated in terms of estimating the combined impact according to the revenue@risk logic, with the aim of sorting them by relevance in terms of combined impact.
For critical scenarios, i.e., those that have a combined impact above the acceptability threshold (Risk Appetite/Tolerance), monitoring is carried out through the use of Early Warning Indicators (EW Indicators) associated with the underlying phenomena.

The risks identified by the Group, including the main effects on sustainability, are presented in the Board of Directors' report on operations in the section "Main risks and uncertainties", while the components of the internal control system and the main roles assigned to manage them are described in the section of the Board of Directors' report on operations "Main features of the risk management and internal control systems". Moreover, an in-depth description of the controls, methods of mitigation and management of the issues identified by Italian Legislative Decree 254/2016 is provided below.

SOCIAL RISKS

Among the risks related to the supply chain, the Group identifies the possible reliance on a supply chain that is not adequately qualified in terms of operational capabilities and compliance with applicable regulations, including those related to ESG issues and those related to health and safety and labor law.

The Group carries out several controls related to the supply chain, the local community, occupational health and safety, respect for human rights in the supply chain and the promotion of integrity and ethics in business.

In order to mitigate risks related to the supply chain, the Group has a specific assessment procedure for contract manufacturers and suppliers of raw materials and finished products and, since 2019, it has disseminated and required suppliers of raw materials, processing services and finished products to sign its Supplier Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it. A specific monitoring activity on the Supplier Code of Conduct was launched in 2020 to verify compliance by suppliers, activity that continued in 2022 and which has also been planned for 2023.
Particular attention is also paid to employee-related matters and the respect for human rights: the Group considers its human capital to be crucial and is committed to maximizing people's potential at each step of the produc-

tion chain while constantly monitoring risk factors. Again in 2019, Salvatore Ferragamo obtained the SA8000:2014 certification for its management system in the area of social responsibility. For this purpose, a committee, called the Social Performance Team (SPT), was set up; it is composed of a balanced number of representatives of workers and management and it oversees the implementation and correct application of the SA8000 standard. Moreover, in line with the provisions of the Group's Code of Ethics and as further confirmation of the importance attached by the Group to its human capital, Salvatore Ferragamo adopted:

- the SA8000 policy to further confirm the Company's commitment to achieving the highest ethical and sustainable business development standards, upholding and implementing the principles of SA8000 standard in its business activities, in line with applicable legal provisions and main international conventions on human rights and workers' rights;
- the Anti-Child Labor Policy, which aims to formalize the Company's commitment in this area and prevent minors from being exposed to situations that may be risky or harmful for their development as well as physical and mental health;
- an Inclusion Policy, which enshrines the Group's commitment to promoting and protecting the values of inclusion in all business activities.

As of 2020, the Company also organizes specific training activities aimed at employees on the topic of inclusion and disability.

Finally, with regard to health and safety, the Parent Company has adopted an ISO 45001 Occupational Health and Safety Management System, valid for all the Company's offices and stores in Italy.

The Group complies with the relevant regulations on an ongoing basis, including in relation to the management of the pandemic emergency and its evolution nationally and internationally, with particular attention to the Asian continent.

ENVIRONMENTAL RISKS

With reference to environmental risks, the Group constantly monitors the evolution of international and national environmental laws, in order to mitigate the potential risk of non-compliance.
The Group monitors the risks which stem from the activities, products or services over which the organization has direct control, for example concerning emissions released into the atmosphere, energy and water consumption, or over which the organization has an indirect influence or control. Among the risks related to the supply chain, the Group evaluated the possible reliance on a supply chain that is not adequately qualified in terms of operational capabilities and compliance with current regulations, including those related to ESG issues.
The Group's commitment is concretely applied in the guidelines outlined by the Sustainability Policy, which since 2017 has been promoting the protection and preservation of the environment and ecosystems through the development of strategies and initiatives aimed at minimizing the environmental impact of its operations. The Group is also committed to monitoring the potential impacts suffered and the negative impacts generated by business activities throughout its supply chain.
Finally, the attention paid by the Group to combating climate change emerges as a cross-cutting element in the implementation of the strategies and targets defined within the Sustainability Plan, approved in 2022 and in line with the Group's Strategic Plan.

Over the years, the Company has taken steps to meet the main environmental standards for its offices: in 2019, the Italian scope obtained ISO 14001 certification, which defines an environmental management system, adopting the relevant Environmental Policy. The commitment taken on by obtaining this certification joins the many management systems linked to emissions monitoring and responsible use of energy resources, which the Company has adopted over the years. Moreover, as from 2019, Salvatore Ferragamo S.p.A. has taken out an environmental-impairment liability insurance policy for the Osmannoro site to cover the making safe and reclamation expenses inside and outside the Company's facilities, the costs of environmental restoration and damages to third parties that a polluting event may cause.

With regard to the risk linked to biodiversity, in 2023 the Group plans to carry out a more in-depth analysis of its impacts, both generated and suffered, in order to define a specific strategy that, in the years ahead, will be enforced through the implementation of initiatives and projects aimed at achieving responsible forest management and the goal of zero deforestation.

For more details on the management of environmental risks, please refer to chapter 4 of the NFS.

GOVERNANCE RISKS

In the broader context of the Group's compliance risk, the Group is strongly committed to fighting corruption and bribery. In recent years, the fight against corruption has taken on an increasingly important role, in view of the tougher sanctions associated with the natural person and the legal person, as well of the impacts in terms of reputation. Moreover, the local governments of the countries in which the Group operates have promoted a regulatory framework that aims to discourage corruption both at the local level and through international agreements including: the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions; the United Nations Convention Against Corruption; the Foreign Corrupt Practices Act (FCPA) issued in the United States; the UK Bribery Act issued in the United Kingdom. For this reason, the Group has adopted its own Anti-Corruption and Anti-Bribery Policy, which, inspired by best practices and in compliance with the most restrictive regulations in force at an international level, sets out the principles, rules of conduct and controls to be implemented to prevent all possible incidents of corruption. Moreover, the Anti-Corruption and Anti-Bribery Policy is a supplement to the Organizational Model pursuant to Italian Legislative Decree 231/2001, aimed at preventing the criminal liability of entities. A special Supervisory Body has been set up with the task of monitoring the operation of and compliance with the control principles and protocols contained in the Organizational Model. The latter has been updated on an ongoing basis over time to take into account the changes in legislation or business conditions. The Model, approved by the Board of Directors at its meeting held on 13 December 2022, was updated in 2022 to incorporate the changes in legislation that took place between the end of 2021 and early 2022. In particular:

- the General Part of the Model has been updated to include new offences in the catalogue of "predicate offences" (Article 25-octies. 1, Article 25-sexiesdecies and Article 25-duodevicies of Italian Legislative Decree 231/01), modifying the list of those already present, but amended;
- some Special Part protocols have been integrated and updated (A – Offences against the Public Administration; H – Market abuse offences; L – Offences of receiving stolen goods, money laundering and use of money, goods or other benefits of unlawful origin, as well as self-laundering; B – Computer crimes and unlawful processing of data);
- two new Special Part protocols have been drafted (T – Offences relating to non-cash means of payment, and U – Crimes against cultural heritage). In order to disseminate its knowledge and principles and illustrate the relevant aspects the update, the Company undertook various information and training initiatives. In particular, specific workshops were organized for the Company's management.

The Group's Code of Ethics, which was updated in 2016, outlines the standards of ethics and conduct, including the protection of employees' health and safety, of the environment and of Made in Italy products, the social value of the Company, and the centrality of human resources. On the one hand, the Group encourages everyone to spontaneously share, comply with, and disseminate the Code of Ethics; on the other hand, it requires everyone operating on behalf of the Salvatore Ferragamo Group or coming into contact with the Group to abide by and apply the Code, also envisaging the application of disciplinary and contractual sanctions in the case of violation. Moreover, the Group believes it is essential to tackle any behavior that is at odds with the values and principles laid down in its Code of Ethics or that breaches legislation. It is possible to report any failure to comply with the Code of Ethics and internal procedures, including for example the Anti-Corruption and Anti-Bribery Policy, as well as applicable laws and regulations, through dedicated channels such as the whistleblowing system, which covers the entire Group. Reports can also be made by external parties by contacting the Group Ethics Committee by email or regular mail. The Ethics Committee, appointed by the Board of Directors, examines and investigates all complaints received to assess whether they are legitimate and take action as it sees fit. During the year, no reports were received and there were no significant cases of non-compliance with laws and regulations in force.

Since 2018, the Group has adopted a Whistleblowing Policy to regulate how to submit and handle reports of breaches of the Code of Ethics, laws or any other procedure within the Group, in line with best practices and Italian Law 179/2017, which introduced whistleblowing for the private sector in Italy. This policy has been provided to all recipients (employees, social bodies and collaborators working on behalf of the Group), while appropriate instructions have been disseminated to all subsidiaries to spread awareness of the policy.

The Group made available to all employees an e-learning course on the Code of Ethics, on the Anti-Corruption and Anti-Bribery Policy and on the whistleblowing tool. These courses are also mandated to new hires who become part of the Ferragamo Group.

Among other compliance-related risks, the Group identifies the potential risk of non-compliance in relation to Made in Italy products – which represent almost all the products manufactured and marketed by the Group. A change in the legislation on the origin of goods could modify the current identification requirements for Made in Italy products, leading to a potential non-compliance on the part of contract manufacturers or suppliers to whom the production of finished products is outsourced, and to a failure to comply with the new rules and regulations, caused by a potential delay in upgrading the facilities needed to ensure compliance with the new or subsequent requirements.

In recent years, the Group has intensified its efforts to ensure the security and protection of the data provided by its customers, guaranteeing compliance with national and international data processing regulations. In 2019, the IT Security Policy and Procedure Framework came into force and was extended to the entire Salvatore Ferragamo Group during 2020. Moreover, the Framework is subject to periodic reviews and updates. On the occasion of the

entry into force of the new European GDPR Regulation, a massive training campaign was carried out throughout the Group on cybersecurity and data protection issues with a special focus on personal data protection. The training program became part of the mandatory minimum set of training courses for new recruits. In compliance with the provisions of the new GDPR on the processing of personal data, Privacy Risk Assessment activities were carried out in 2020 with the aim of verifying that technical and organizational measures to mitigate the risk related to personal data processing are implemented by all data controllers and processors. The activity was carried out in line with the Privacy Risk Assessment performed in 2018, following the Risk Assessment method integrated with the ERM Framework adopted by the Company.
In 2021, a Cyber Security Awareness (Proofpoint) platform was identified, which provides training content to be distributed on the current Learning Management System (LMS) platforms, with the aim of increasing users' awareness of cybersecurity issues, ensuring growth and continuity in training on specific topics related to information security and protection from cyber threats. In 2022, the program was extended to the entire Group, involving corporate and retail employees. In addition to training, anti-phishing campaigns were launched in order to increase sensitivity to this threat, also in relation to the growing digital transformation of processes and how employees, business partners and customers interact digitally with the Group. Over the years, the Group strengthened its controls and in 2021 it adopted a two-year 2021-2023 "Cyber Security Implementation Plan" through which it is steering its main cyber activities.
Moreover, cyber risks related to security, data management and data dissemination, with particular reference to cyber attacks, are among the risks identified and evaluated within the scope of the ERM Model. Notably, an ad hoc assessment on cyber risk was carried out in 2022 with the support of industry experts, in order to assess in general the Company's stance towards security and, more specifically, the main cyber risk scenarios to which the Company is exposed, including the risk factors related to the potential unawareness of workers regarding Cyber Security issues that could expose the Company to vulnerabilities in the information management field.

For further details, please refer to the "Main risks and uncertainties" section of the Board of Directors' report on operations.

3. RESPONSIBILITY TOWARDS PEOPLE

For the Salvatore Ferragamo Group, its people have always been of great importance, guaranteeing management based on the principles of fairness, integrity and respect. At every stage of the value chain, the Group's commitment translates into the professional development of its people, the attraction of new talent and the promotion of work-life balance, guaranteeing compliance with occupational health and safety standards.

3.1 Staff composition

STAFF

The Group's staff as at 31 December 2022 and 31 December 2021 is shown below.

	31 December 2022			31 December 2021		
No. of people	Men	Women	Total	Men	Women	Total
Employees	1,288	2,542	3,830	1,288	2,599	3,887

The Parent Company's staff as at 31 December 2022 totaled 940 staff members (394 men and 546 women), up by 27 (16 men and 11 women) compared to 31 December 2021.

Breakdown by occupational classification and age group	31 December 2022							31 December 2021						
	<30		30-50		>50		Totale	<30		30-50		>50		Totale
	N°	%	N°	%	N°	%	N°	N°	%	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	12	0.3	520	13.6	197	5.1	729	12	0.3	585	15.1	177	4.6	774
White collars	623	16.3	1,836	47.9	341	8.9	2,800	683	17.6	1,818	46.8	347	8.9	2,848
Blue collars	40	1.0	190	5.0	71	1.9	301	32	0.8	167	4.3	66	1.7	265
Total	**675**	**17.6**	**2,546**	**66.5**	**609**	**15.9**	**3,830**	**727**	**18.7**	**2,570**	**66.1**	**590**	**15.2**	**3,887**

Breakdown by occupational classification and gender	31 December 2022					31 December 2021				
	Men		Women		Tot	Men		Women		Tot
	N°	%	N°	%	N°	N°	%	N°	%	N°
Managers (of which top managers, middle managers and store managers)	286	7.5	443	11.6	729	301	7.7	473	12.2	774
White collars	810	21.1	1,990	52.0	2,800	819	21.1	2,029	52.2	2,848
Blue collars	192	5.0	109	2.8	301	168	4.3	97	2.5	265
Total	**1,288**	**33.6**	**2,542**	**66.4**	**3,830**	**1,288**	**33.1**	**2,599**	**66.9**	**3,887**

During 2022, the Salvatore Ferragamo Group recruited 1,375 employees (509 men and 866 women, of whom 57 men and 84 women in the Parent Company), against an employee turnover of 40% for men and 36% for women. About 45% of new hires belong to the "under 30" age group, 49% to the "30-50" age group and the remaining 5% to the "over 50" age group; finally, about 63% of the new hires are women.

Moreover, the offer of a stable and long-lasting employment relationship is considered a prerequisite for the Company's growth, as well as an important motivational factor. The high proportion of employees on open-ended contracts, accounting for 94% of the total in 2022, is evidence of the Group's commitment in this sense.

In 2022, non-employee workers within the Group were 147, including 45 agency staff and 52 interns.

For more detailed information on the breakdown of the staff, see the "Annexes" section of the NFS.

3.2 The well-being and health of people

The well-being and health of people were at the heart of the Group's initiatives and policies implemented in 2022.

OCCUPATIONAL HEALTH AND SAFETY

For the Salvatore Ferragamo Group protecting and safeguarding human resources also takes the form of guaranteeing high occupational health and safety standards. For this reason, the Group, as its leading commitment, makes available human, practical and economic resources and assets, which are needed to achieve the improvement goals in the field of occupational health and safety and as an integral part of its activity and strategic commitment. At corporate level, Salvatore Ferragamo has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines for the Italian scope and then sharing them with the foreign Regions. In this regard, during 2021, the HSE team shared with the foreign Regions the Management System Guidelines – HSE & Energy, prepared with the aim of disseminating throughout the whole Group a significant level of awareness about health and safety, environmental protection and energy efficiency. These standards and principles also establish the roles and responsibilities of the main regional stakeholders involved. Also in 2021, the HSE corporate team defined the priorities for intervention in the compliance area for Europe, supporting colleagues in the Region in defining the needs for dedicated tools and economic resources. In 2022, a project was launched with the foreign Regions that involved the identification of local HSE contacts, the creation of a register of applicable HSE laws for each country, the completion of a self-assessment questionnaire by each local contact and the subsequent drafting of a gap analysis. This project will continue in 2023 with the implementation of an action plan, identified on the basis of the gap analyses carried out for each country.
Lastly, the HSE team manages monitoring and reporting activities, maintaining relations with the Italian workers' safety representatives.

In Italy, the Company has been implementing for some years now a Safety Management System (SMS) that defines the methods for identifying, within the Company's organizational structure, the responsibilities, procedures, processes and resources for implementing the Company's prevention policy, in compliance with current health and safety regulations. The aim of the occupational health and safety management system is to:
- ensure compliance with all applicable legal requirements with the aim, where possible, of achieving improved safety standards;
- reduce or eliminate work-related injuries and ill health cases;
- improve risk management;
- promote continuous and effective communication between the Company and workers through specific operational methods, such as document sharing, information, training and awareness-raising activities;
- improve monitoring of the level of control of residual risk in order to further minimize it through continuous improvement actions.

In 2017, Salvatore Ferragamo decided to undertake the process of certifying its management system according to the internationally recognized ISO 45001 standard, which sets out the requirements for implementing an occupational health and safety management system. In 2022, the Company once again successfully passed the annual audit to maintain the certification, which is valid for 100% of Salvatore Ferragamo S.p.A. workers. Moreover, in 2022 Salvatore Ferragamo maintained for the scope of its Italian operations the SA8000 social responsibility certification, i.e., the main social certification standard based on the Universal Declaration of Human Rights, ILO agreements, international human rights laws and national labor laws. The standard encourages organizations to develop, maintain and implement practices that include respect for human and workers' rights, protection against child exploitation and guarantees for occupational health and safety.

Although the Group does not have any high-risk business activities, it has taken steps, in Italy and throughout the world, to ensure the highest standards of occupational safety by identifying and assessing possible emergencies that may occur during its activities in the various offices in order to ensure that the impacts on occupational health and safety and any damage to facilities are properly identified and addressed.

In Italy, the identification and assessment of risks related to occupational health and safety is part of the Risk Assessment Document (RAD). This document is drawn up by the Employer (E) in collaboration with the Health and Safety Officer (HSO), checked by the Occupational Health Specialist (OHS) and brought to the attention of the Workers' Safety Representatives (WSR), in order to highlight the seriousness and probability of occurrence of specific risk events for each individual role and activity carried out by employees. Furthermore, in order to ensure greater monitoring of the level of occupational health and safety, in Italy control and audit activities are carried out periodically for Group stores. In relation to potential accidents and emergency situations, Salvatore Ferragamo has drawn up a Management Procedure for preparing for and responding to emergencies, in order to describe the operational procedures implemented to prevent and/or manage accidents in the best possible way and to reduce the risk of injuries resulting from such situations.

Efforts to monitor employee injury rates continued during 2022. In 2022, there were 57 injuries among employees, whereas, in line with 2021, there were no fatalities among either employees or contractors. All injury rates are detailed in the "Annexes" section of the NFS.

As part of occupational health and safety, the Salvatore Ferragamo Group is also active in training its own people. In 2022, around 1,034 hours of training on safety, first aid and fire prevention were provided in Italy, also involving retail staff. Employees benefit from training programs tailored to their role profiles and risk levels and receive general occupational safety training in line with legal requirements. For those who fall into a higher risk category, i.e., employees in warehouses, Modelleria, Manovia etc., additional training hours are provided for the use of specific machinery and equipment. In 2022, the HSE team also launched an awareness-raising campaign on corporate safety and well-being, targeting all employees in Italy. Using new communication channels, employees addressed the issue of safety by challenging themselves through participation and play.

The Company has also decided to undertake appropriate awareness-raising and information activities aimed at its suppliers, contractors and external visitors to involve them in the control and reduction of impacts on occupational health and safety. In this area, the Company prepares specific documents for the identification, assessment and control of risks related to the performance of activities in the Company by third parties (interference risks). On the other hand, as far as the rest of the world is concerned, the Group ensures that all employees are trained in accordance with applicable local regulations.

COVID-19 EMERGENCY

During the year, the lingering effects of the pandemic made it necessary to manage the emergency situation, in order to guarantee the Group's employees the best possible safety conditions in carrying out their tasks, while maintaining business continuity. In the various countries in which it operates, the Group continued to ensure the highest safety standards and support employees in their work during the health emergency. In Italy, in particular, in accordance with the regulations in force, Salvatore Ferragamo updated its safety protocols, continuing to implement throughout the period required by the relevant Law Decrees also the "EU Digital Covid Certificate" control measure, in addition to the temperature checks for users accessing the company's premises, which was activated during the worst periods of virus spread. Moreover, the Group constantly provided its employees with personal protection equipment such as masks and hand sanitizing gel, and the Health & Safety team has been regularly sharing updates with all employees to ensure full compliance with health standards and constantly evolving regulatory requirements.

WELFARE

Following the experiments already started in 2018, in 2021 Salvatore Ferragamo decided to introduce remote working across the board, subject to the compatibility with the characteristics of the specific business activities carried out. This flexible and innovative organizational model has also been adopted in other corporate offices of the Group allowing, in the past few years, to foster the social distancing necessary to cope with the pandemic. Remote working aims to increase productivity and reconcile employees' work/life balance. The adoption of the remote working project was accompanied by the provision of training content aimed at managers and corporate collaborators to facilitate the remote working culture and support cultural change through concepts such as working for goals, developing a relationship of trust, and time management. As part of the corporate welfare system, employees in Italy also have access to a company cafeteria or meal vouchers.

In 2022, additional initiatives were launched in Italy to support the Company's employees. Among others, Ferragamo has set up the "Solidarity Vacation Fund", which allows all employees to voluntarily and freely give up their days off and their vacation days to colleagues who have particular needs to assist a family member or who suffer from serious health conditions. In addition, the Company awarded all employees who have an open-ended contract and a basic salary below 70,000 Euro a welfare voucher worth 900 Euro, with the aim of offering concrete help with the cost of living, which rose sharply during the year.

In 2022, the Flexible Benefit plan continued as well, the purpose of which is to support workers under the footwear industry national collective bargaining employment contract (CCNL) and their families in social and cultural activities, in their development and in school fees and costs for their children. The plan consists of the possibility to use non-monetary goods and/or services,

in addition to remuneration, to meet personal and family needs. Specifically, employees can select their own type of benefit from a vast range of options, including areas such as: education, sports, culture and leisure, travel, supplementary pensions and welfare. In Italy, the supplementary agreement for workers under the footwear industry CCNL envisaged, among other things, an increase in the value of the Performance Bonus, including the possibility of transforming, in whole or part, the monetary value of the Bonus into welfare services for entitled employees on open-ended contracts. Employees who choose to convert the Bonus will be entitled to a further net amount that can be spent on goods and services through the Flexible Benefits portal. Also as part of the supplementary agreement, the period of job retention for employees being treated for serious illnesses resulting in a disability exceeding 50% has been extended up to 16 months. Moreover, the Company introduced for blue-collar workers the payment of economic benefits to supplement the sickness allowance recognized by INPS in cases of absence due to non-work-related ill health or injury.

Also as part of company welfare and at a corporate level, in 2021 the Company launched the new "Corporate Benefits" portal that allows Salvatore Ferragamo employees to take advantage of services and products from leading brands. The portal has been integrated with key corporate benefits arising from agreements stipulated with companies operating in other sectors, such as for example health and wellbeing, banks, insurance, tourism and sport.

As regards supplementary health care offered to Salvatore Ferragamo's employees, the existing coverage was maintained in 2022, including that relating to protection in cases of illness from Covid-19 and that on business travel for European employees. Moreover, in recent years, a series of improvement measures have been implemented to offer coverage levels of supplementary health services superior to the provisions of the company's collective bargaining agreements.

3.3 Attracting and developing talent

INDUCTION

For Salvatore Ferragamo it is important that the corporate culture and sense of belonging are transmitted right from the start of the employment relationship and, for this reason, there is an induction program called "Discovering Ferragamo" for all new hires in Italy. The three-day Classic Induction course consists in a training session to introduce new hires to the Brand, the history of the Founder, and the Group's values, as well as guided tours of the Logistics Hub, Manovia, the museum areas and the Salvatore Ferragamo Archive, carried out in partnership with the Fondazione Ferragamo and the Museo Salvatore Ferragamo. Moreover, this program was enriched with a workshop on the Company's values and know-how. The Customized Induction, which is reserved to executives and managers, is instead organized so that it is tailored to the role that the incoming manager is required to fill. During 2022, 4 group editions of the "Discovering Ferragamo" Induction program were carried out, enriched with digital content on the products, as well as with an in-depth analysis of the internal communication platforms, aimed at corporate staff. In addition, 10 individual Inductions were organized at the corporate level and 5 at the regional level.
2022 also saw the completion and sharing of the new Company Presentation, a document that is part of the Induction programs, detailing the history of the Founder and the Brand – retracing all the Group's historical milestones – and providing a general overview of the corporate organization.

With the aim of taking an in depth look at the ESG landscape and at Salvatore Ferragamo's activities in this area, an Induction session was organized for Salvatore Ferragamo S.p.A.'s executives and the Board of Directors, which is ultimately responsible for overseeing and approving the Sustainability Plans.
The meeting had three main objectives:
- to provide an overview of sustainability and ESG trends and transformation levers for the business and the Fashion & Luxury sector in general;
- to share insights into Ferragamo's positioning with respect to ESG topics and sustainability opportunities;
- to collect feedback and insights from Ferragamo's Board of Directors and Top Management.

In order to achieve these objectives, various topics were discussed, including how sustainability is shaping the new competitive landscape, how corporate leadership can drive sustainable transformation, the evolution of the Fashion & Luxury sector through ESG levers, as well as an overview of Ferragamo's sustainability positioning and opportunities.

INTERNAL COMMUNICATION & ENGAGEMENT

Many of the initiatives taken forward in-house were promoted thanks to the use of the Ferragamo Together digital workplace, which became pivotal in terms of employee engagement. The platform, which was launched in 2019 and can also be used via a mobile application, was designed to facilitate collaboration and sharing of ideas, innovations, information and projects among all the Group's employees, thus increasing the sense of belonging and team spirit. Throughout 2022, the section "Our People", launched in 2021 within Ferragamo Together, was regularly updated. This section includes descriptive content and useful sections such as those dedicated to organizational notices and links to the iLearn platforms, to which more dynamic content will be added. This section also includes the Internal Job Posting tool, which enables the constant updating of open positions, promptly informing employees of potential internal growth programs. The section was created following the launch of the first global Employer Branding project aimed at developing the Group's EVP (Employer Value Proposition), in other words identifying what makes Salvatore Ferragamo a truly unique workplace, what are the distinctive characteristics of "Living in Ferragamo" and what is the essence of its corporate culture. Activities and projects related to Employer Branding will continue in 2023.

Moreover, in order to engage employees in the projects related to the new strategic plan and make them feel that they are an increasingly integral part of the change taking place in the Company, in 2022, within the Ferragamo Together platform, the "Ferragamo Fast Forward" section was created, where a monthly newsletter is published with news and updates on the implementation of the strategy.

In the second part of 2022, a new internal communication tool – the Ferragamo Social Network – was launched on the Yammer platform, which allows employees to interact by posting and commenting within the community.

CORPORATE & RETAIL TRAINING

With a view to promoting the growth of people in the Company, in 2022 the activities to train and develop talents and the project to design a Talent Management system at global level continued. As part of its own Ferragamo Excellence Model, the Parent Company identifies nine key skills divided into Core Skills and Managerial Skills, to be enhanced in each employee. Core Skills are key for all employees and enable them to achieve high levels of performance and quality, as well as promptly address issues and problems as they arise, by working in teams and exploring new ideas and solutions. For middle and top managers, the Group has identified additional skills aimed at understanding the elements that are crucial to the creation of corporate value and at improving competitiveness over time, inspiring enthusiasm and a passion for work and excellence in other people. Over the next few years, the Group will gradually expand the Talent Management system to all employees, regardless of the geography in which they operate, enhancing the potential of key resources across the entire Salvatore Ferragamo Group.

Training is a cornerstone of Ferragamo's staff development strategies. In this regard, over 95,800 average hours of training per capita were provided at Group level in 2022, not including health and safety training. The courses were mainly held in e-learning mode, followed by many classroom activities or instructor-led online courses. The courses aimed at corporate employees covered, among other topics, the strengthening of soft skills, the use of IT tools, languages and specialist training. For retail staff, the courses covered, among other topics, personal development, training on the Brand, products and collections, with the organization, in some cases, of in-store coaching sessions. With regard to compliance training, the courses mainly covered issues such as anti-corruption and anti-bribery, as well as the whistleblowing tool. In the area of occupational health and safety, in 2022 around 1,034 hours of training on safety, first aid and fire prevention were provided in Italy, also involving retail staff.
Course delivery was made more seamless thanks to the use of the iLearn platform, for both corporate staff and retail teams.

Average hours of training – Salvatore Ferragamo Group

	2022			2021		
No. of hours	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Managers	25.97	28.34	27.41	23.14	23.49	23.35
White collars	28.79	25.45	26.42	30.45	29.83	30.01
Blue collars	7.48	4.56	6.43	7.51	7.34	7.45
Total	**24.99**	**25.06**	**25.04**	**25.75**	**27.84**	**27.15**

The iLearn tool, integrated in the Ferragamo Together platform, allows to identify training contents related to the excellence model skills, to deepen the knowledge of the Company and the Brand, and to have self-development opportunities. Through iLearn, Knowledge Sharing sessions were also organized for Group staff.

In early 2022, a digital course entirely dedicated to sustainability was launched via the iLearn platform. The course was designed to illustrate the Group's strong commitment to sustainability issues, by providing an overview of the initiatives and projects implemented and the long-term goals set for the future. The course was assigned to all employees and included within the Induction programs.

Again from a training perspective, in November 2022 the Sustainability team, in collaboration with the Human Resources team, launched at corporate level "Sustainability Pills", a training project structured in six short digital modules to introduce the macro-topics that define the word "sustainability", with the aim of inspiring and engaging corporate employees in the sustainable development of Ferragamo's strategy. The delivery of the pills was entrusted to a specialized partner that guided participants through the training sessions. Part of the proceeds from the project will be used by the partner company to provide free access to digital educational materials and to organize a free sustainability workshop in cooperation with a local school, selected by the Company. The project will be re-launched in 2023, engaging colleagues from foreign Regions.

Moreover, in 2022, with the goal of creating an internal culture on biodiversity, a training activity was organized in collaboration with a globally operating partner, to help major organizations navigate the complex challenges of biodiversity and contribute to delivering positive results for business and nature. The training was offered in two different sessions: one for the teams involved in the selection and purchase of raw materials, with the ultimate goal of supporting Ferragamo in enhancing biodiversity performance along the supply chain; the other, aimed at the Green Team, with the goal of providing a strategic overview of the issue and its importance for our sector.

Another training activity implemented in 2022 was the launch of the global Ferragamo Leadership Program. This program, delivered via the Coursera platform, involved around 50 managers globally, offering a range of courses that were selected with reference to the following skills: change management, people development, influencing, adaptability, organizational development and corporate communication.

Specific training initiatives are also aimed at staff working in Ferragamo stores: since 2019, the Company has continued to invest in a training program for retail staff at global level. The aim of the program is to develop a client-centric mindset in order to strengthen the core skills of retail staff and contribute to the achievement of corporate objectives. The training methodology provides multiple levels of engagement, alternating between self-training sessions via the e-learning platform, synchronous remote training sessions, classroom training, and on-the-job coaching activities by dedicated trainers and the Store Manager.
Due to the persistence of the Covid-19 pandemic, in 2022 training was delivered primarily through an intense program of webinars carried out synchronously by local trainers. A number of digital training programs have been launched for retail staff with the aim of enhancing technical knowledge, strengthening the digital client journey and stimulating connection with the Brand and its values.

In addition, in line with the Making Magic program, which involves monitoring the in-store client experience, training courses have been created focused on developing particular skills and abilities to improve the client experience. Moreover, to bring retail staff closer to sustainability issues, starting in October 2020 the Retail Journal, a magazine dedicated to retail staff, has included a sustainable section in which content on social and environmental responsibility is shared monthly.

In 2022, the two programs dedicated to managers were also continued and offered to a wider audience:
- Nexus, a program created with the aim of developing leadership and coaching skills;
- Retail me, a development program dedicated to the Wholesale and Travel Retail teams, with the aim of also disseminating the retail strategy along these sales channels.

Finally, to support the important processes of strategic change taking place and the Brand's new creative

vision, ad hoc digital courses were developed for the retail world, with the aim of strengthening the storytelling and client engagement skills. In addition, an intensive coaching program was implemented to support the teams in presenting the new collection and managing clienteling activities, focusing the attention on sales rituals and on how to best interact with clients.

In 2022, training offered through the iLearn digital learning platform dedicated to the Retail team – which includes a wide training offer with over 200 digital courses offered in 10 languages – was further enhanced and expanded.

To facilitate staff development, the Group implemented, in continuity with previous years, some performance assessment programs, including the Performance Appraisal System for middle management. The program was conceived not only as a monetary incentive system but also as an instrument for development: performance assessment is in fact linked to a role profile and specific technical skills. During 2022, approximately 97% of Group managers were subject to this type of analysis and the performance of approximately 84% of all Group staff was assessed. In Italy, in 2022, the supplementary agreement signed in 2019 was renewed for the years 2022-2023, which envisaged, among other things, the extension of the performance assessment process to all employees and for all levels within the organization, in order to increase engagement and to make everyone feel part of the corporate goals and results. This assessment method is based on three of the Brand's distinctive competencies: initiative, result orientation and customer orientation. The outcome of this assessment makes it possible to further increase the value of the bonus for the individual, while also rewarding individual performance.
In addition, in 2022, work continued on the consolidation of performance assessment programs in the retail sector. In particular, the continuous feedback process between manager and employee through the use of the Bright platform continued, which, in addition to being a monetary incentive program, is also designed to stimulate discussion and support opportunities for internal development and growth. In terms of incentives, the "Champion's League" program was also launched, aimed at top performers, to reward and incentivize those who contributed most through individual performance to the achievement of business objectives.

The Group promotes numerous initiatives aimed at attracting talented employees and valorizing them in their professional development. To select top young talents, the Parent Company has partnerships with several Italian Universities, Business Schools and Design Academies, organizing presentations, career days, and field projects. During 2022, Salvatore Ferragamo took part in events at Polimoda, Marangoni, Bocconi, IULM, the University of Florence and the Milan Fashion Institute.
The company launched three field projects in collaboration with schools of excellence in the luxury sector:
- as part of the Master in "Shoe Design" at Polimoda in Florence, students in the second and third editions worked on the creation of a capsule collection of women's shoes and sneakers, studying some of the Brand's iconic models and proposing new materials and processing;
- in partnership with the Accademia Costume e Moda in Rome, the students taking part in the ACM's Academic Master in "Accessory Design" were asked to

design and develop a travel capsule collection. The winner, selected following the final presentation of the project, will have the opportunity to complete an internship with the Company;
- in collaboration with the "Master in Fashion, Experience & Design Management" (MAFED) offered by the SDA Bocconi in Milan, a Retail Excellence project entitled "Luxury women leather goods: trends, competitive intelligence and offer assessment" was launched. The students analyzed a new product and communication strategy for the women's leather goods category.

During the year, the Company also confirmed its adherence to the "Adopt a school" project, promoted by Altagamma, with the aim of bringing young people from the Florence area closer to the trades revolving around the leather goods sector, to raise their awareness of the professional opportunities offered by Made in Italy. The project, carried out in collaboration with the Istituto Cellini Tornabuoni in Florence, involved professionals and technicians from the Company and ended with a short internship experience for the students.

In 2021, to celebrate the 100th anniversary of the birth of Mrs. Wanda Ferragamo, the Ferragamo Family, together with the Company, established the "Wanda Ferragamo Scholarship", whereby every year three scholarships are awarded to children of Group employees worldwide who have distinguished themselves for merit and excellence in study. The first three scholarships were awarded in 2022.

3.4 Diversity and inclusion

Diversity is considered a key value for the Group, which is committed to ensuring that its employees can grow in a working environment where they can feel free to express themselves and where particularities and individuality generate experimentation and positive comparisons.

In particular, the cultural change process focused on diversity and inclusion issues was activated in 2020. This program initially involved interviews and activities with Top Management and then involved the Global Senior Leadership Team in distance learning sessions aimed at raising awareness of the impact of diversity and inclusion in the business. In 2021, the program was further strengthened with the organization of two training courses dedicated to disability: one designed for all corporate employees, and the other developed for corporate management with the aim of empowering managers to become agents of cultural change. The training, which continued into early 2022, provided practical and concrete guidance so that the approach to disability is free from embarrassment, prejudice and fears.
Also on the subject of inclusion and disability, in 2021 Salvatore Ferragamo was the first Italian company to join "The Hiring Chain" global campaign promoted by CoorDown, launching an important job inclusion project at corporate level that led to the inclusion in the company of a resource with Down syndrome, thanks to the collaboration and support of the Trisomia 21 Association.

The Group's commitment to diversity issues was formalized with the adoption and publication in 2019 of the Inclusion Policy that aims to support multiculturalism, which is considered essential for the development of innovative and distinctive elements that can increase the Brand's competitiveness and for promoting equality and equal opportunities, combating all types of discrimination and condemning any form of harassment. In addition, the Policy sets the goal of promoting meritocracy and fair treatment at all levels, facilitating the development, expression and enhancement of individual potential.
Concerning the employees belonging to protected categories, the Group complies with applicable laws in the countries in which it operates.

During 2022, the Group received a report of alleged discrimination against an employee in North America. In order to better understand the situation, an internal investigation was conducted through interviews and additional analysis. This investigation confirmed the absence of discriminatory behavior and therefore the case was closed by the organization.

Special emphasis is placed also on providing equal opportunities, ensuring the same work conditions for male and female employees and promoting initiatives to help balance family and professional life through different types of employment agreements. More specifically, as at 31 December 2022 there were 62 male employees and 223 female employees who were on part-time contracts. The latter have always played a key role in the Salvatore Ferragamo Group and female talent underpins the Brand's success, accounting for nearly 66% of its employees and holding over 61% of senior management positions. Women make up a significant 40% of the Parent Company's Board of Directors, above and beyond the applicable laws.

Still on the subject of diversity and equal opportunities, since 2020 the Company has joined Valore D, the first business association in Italy committed to creating a professional world free of discrimination, where gender equality and a culture of inclusion support the growth of the organization. In 2022, on the occasion of International Women's Day, a number of initiatives were organized to reflect on the role of women within organizations and to promote a working environment based on respect and cooperation. These included a digital workshop in collaboration with Valore D aimed at reflecting on the importance of building and developing effective networks of operational and strategic relationships at every organizational level, for the growth of one's professional effectiveness and influence.

Joining Value D follows the adoption in 2019 of the Women's Empowerment Principles promoted by UN

Women and the UN Global Compact. The Women's Empowerment Principles are 7 principles which aim to provide companies with a guide on how to promote gender equality and female empowerment in the workplace and in communities in general. In line with the contents of the Code of Ethics and the Group Inclusion Policy, by adopting these principles, Salvatore Ferragamo intends to reconfirm its commitment in terms of inclusion and respect of the principles of equality and dignity.

REMUNERATION

The Salvatore Ferragamo Group adopts remuneration policies geared towards recognizing the individual contribution of its people and business results, according to the principles of equality, equal opportunity and merit. To ensure competitiveness in the market, for some years now the Group has been implementing a remuneration system differentiated for the various professional categories, which also includes economic incentives contingent on both individual and company performance goals in order to promote a sense of belonging and teamwork.
As for industrial relations, more than 51% of the Group's employees are covered by collective bargaining agreements, as required by applicable laws and regulations in the countries where the Group operates. These agreements, together with the laws in force in the countries where the Group operates, also regulate remuneration as well as the minimum notice periods for significant operational changes.

The Group's remuneration system is based on a combination of fixed and variable components. In 2022, the Company embarked on a process to update its Remuneration Policy, which will take effect in 2023, to include short- and long-term incentives linked to the achievement of the goals defined in the Strategic Plan and the Sustainability Plan.

In 2022, the Group conducted an initial analysis of the remuneration of its employees worldwide, for the different professional categories, to identify possible discrepancies and to implement intervention strategies to address them, anticipating and promoting the roll-out of activities and initiatives aimed at ensuring equality and opportunities for professional growth. The analysis showed a women-to-men ratio of 74% in terms of basic salary and 70% in terms of total remuneration, including variable remuneration.

Based on this first analysis and disclosure exercise, the Group is committed to repeating the analysis on a regular basis and to continue monitoring this data with a view to continuous improvement, in line with the updates provided for in the new Remuneration Policy.

More information on remuneration indicators can be found in the "Annexes" section of the NFS.

4. RESPONSIBILITY TOWARDS THE ENVIRONMENT

For years, the Ferragamo Group has implemented its environmental protection strategies, rethinking its processes and setting concrete and challenging targets to reduce its impact on the planet. In particular, by signing the Fashion Pact in 2019, the Group committed to achieving specific targets in three priority areas: climate, biodiversity and oceans.
With regard to climate change, in 2020, the Group defined its science-based targets, with the aim of a 42% reduction in direct and indirect emissions by 2029, with a 2019 baseline. In order to achieve these targets, special attention was paid during the year to the eco-efficiency levels of its offices, to the use of materials with a low environmental impact in its collections, to minimizing the impact of logistics flows and to rethinking packaging with a view to gradually eliminating single-use plastics.
With the update of the Sustainability Plan in 2022, the commitment to environmental impact mitigation was further strengthened with the definition of specific targets that contribute to the achievement of set goals.

4.1 Responsible innovation and circular economy

The Brand's commitment to the circular economy is demonstrated through a 360-degree approach: from the inclusion in the collection of regenerated and circular raw materials, to the choice of certified and post-consumer packaging, from the attention to the reuse or donation of obsolete raw materials, to the choice to strengthen the consumption of energy from renewable sources in the coming years.

In particular, the inclusion in the collection of materials with a low environmental impact is one of the top priorities for the Brand, which has set up a cross-functional work team entirely dedicated to this initiative, and has adopted specific guidelines on responsible materials and fibers to be used where possible for the development of its products. In fact, the Company regularly monitors the progressive inclusion of circular, regenerated and innovative materials in its collections, in line with the Sustainability Plan. Moreover, in 2022, Salvatore Ferragamo launched various products and capsule collections, entirely designed with a view to sustainability. These include the Multicolor Eyewear Capsule: a collection of colorful genderless sunglasses featuring frames made from a bio-based composite material and lenses made from bio-based materials obtained from wood and waste from agricultural industries. The Multicolor models also come with a case made of 50% pre-consumer recycled plastic. Also in 2022, on the occasion of National Ocean Month, Ferragamo presented the re-edition of the F-80 Skeleton with Sustainable Strap, a watch whose strap is made with materials with a reduced environmental impact: a thin layer of FSC-certified cork covers the inner part, while the outer layer is made of a fabric composed of post-consumer recycled PET fiber with hole covers made of vegetable tanned leather. Eco-friendly materials were also used for the packaging: the box is made of FSC-certified cardboard, while the protective wooden and metal shell is internally covered with hemp and externally in fabric composed of post-consumer recycled PET fiber. The watch cushion is, on the other hand, made of bioplastic material 100% obtained from sugar cane.

Recently, innovation has been implemented in a circular economy perspective with the launch of the Salvatore Ferragamo Icon-Up capsule collection in 2021. Composed of iconic models of women's shoes and belts, this exclusive 300-piece capsule collection combines the innovative principles of circularity and recovery of materials with the Brand's heritage and DNA. Each shoe is unique and is made with products and materials recovered from the Maison's stock, such as accessories and printed silks, reinterpreted by the Style team and made by Manovia artisans to revive the iconic Vara and Varina shoes. A very similar process has been applied to the stylistic vision of the belts: recovered from the Group's warehouses and enriched with silks from pre-existing Ferragamo products. Furthermore, the reusable product protective bag is made with printed fabrics recovered from stock. The packaging also consists of the Favini Remake paper boxes – made of 30% post-consumer recycled cellulose and 25% residues from the leather goods industry – and of 100% recycled and recyclable tissue paper.

BIODIVERSITY AND ANIMAL WELFARE

Responsible innovation also concerns biodiversity: in 2021, Salvatore Ferragamo published its Manifesto for Biodiversity, a document that formalizes its commitment to safeguarding and promoting biodiversity by highlighting the principles that guide the Brand's activities in this area. In order to create an internal culture on biodiversity, a training session was organized in 2022 in collaboration with an external partner with the ultimate aim of providing a strategic overview of the topic and its importance for the sector, as well as to support Ferragamo in enhancing biodiversity performance along the supply chain.

The Group's commitment to promoting animal welfare also continued in 2022 with a view to responsibility towards nature and the planet in general.
Indeed, since 2020, the Group has adopted an Animal Welfare Policy, which establishes the minimum requirements, certifications, standards, forms of collaboration, strategies and procurement sources to be favored in order to guarantee animal welfare. The document was submitted for signature to suppliers of raw materials of animal origin through the Ferragamo Link portal, in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare.
Moreover, since August 2021, the Company has joined the Leather Working Group (LWG), a non-profit organization for stakeholders in the tanning sector's value

chain, which work in synergy in order to improve the environmental management of the leather manufacturing industry. The main objective of the LWG is to provide, maintain and develop audit protocols, with the aim of verifying the compliance and environmental performance of tanners around the world, promoting sustainable and appropriate practices in respect of the environment. As part of the Leather Working Group, the Company is committed to involving 25% of the leather value chain within 3 years of membership, reaching 50% within 6 years, as well as to declare the volumes of leather purchased, the types of raw materials and the percentage of materials sourced from LWG-certified suppliers. Thanks to its participation in the LWG, the Company has access to a consolidated environmental audit system, developed by the leading international players in the leather industry and is audited with the aim of promoting continuous improvement in the environmental performance of its business operations.

PACKAGING

Regarding circularity, the Group is also strongly committed to reducing the consumption of materials such as unnecessary plastics and eliminating single-use plastics. In this regard, following the release of the European Single-Use Plastics Directive, which aims to prevent and reduce the impact of particular plastic products on the environment and promote the transition to a circular economy, every year the Company assesses its use of single-use plastics in packaging, in order to map the quantities and identify concrete solutions to eliminate or reduce its consumption. In this perspective, in order to promote a more sustainable luxury and to eliminate the use of single-use plastic, in 2022 the Group completed the replacement of polybags for transporting products with bioplastic and recycled and recyclable plastic alternatives, and continued the gradual replacement of labels with a 100% recycled polyester alternative. Moreover, the hangers used for Ferragamo garments are made of 100% post-consumer recycled plastic and the bags used for packaging products such as shoes, bags and accessories are Made in Italy and made of 100% cotton fabric, as are the bags used for clothing, which also have a 100% recycled polyester lining.

Innovative and environmentally friendly materials are also used for the packaging of some eCommerce shipments. Since 2022, the Company has been using a paper filler and since 2021 it has started using boxes made of FSC-certified and 78% recycled paper.

As regards paper packaging for the retail business, the Salvatore Ferragamo Group has favored paper certified by the Forest Stewardship Council (FSC), which bears witness to correct forest management and the traceability of paper products. The FSC logo guarantees that the product is made of raw materials harvested from forests managed according to sustainable principles. The iconic red packaging, in addition to being "Made in Italy" as well as fully recyclable and biodegradable, is also post-consumer, i.e., composed partly of recycled fibers and partly of ECF (Elementary Chlorine Free) cellulose, which is treated with ecological processes. In 2022, the commitment to the circularity of paper packaging was further strengthened by increasing post-consumer waste fibers to 70%. Moreover, in selecting its packaging suppliers, Salvatore Ferragamo verifies that not only they are based locally, which is the main guarantee of Made in Italy quality, but also that they have important certifications such as ISO 9001, ISO 14001, SA8000, ISO 45001, GOTS, GRS, PEFC, FSC and OEKO-TEX.

In 2023, in line with the targets of the Sustainability Plan and of the Group's commitment to environmental responsibility, Ferragamo products will be accompanied by renewed packaging, which will be entirely made of a new FSC-certified institutional paper, made of 80% post-consumer waste fibers. Other sustainability elements will characterize the new packaging: shopping bag handles made of FSC paper, box and shopping bag reinforcing elements made of recycled cardboard and eCommerce shipping boxes made of recycled cardboard.

As for non-packaging materials such as catalogs, invitations, leaflets, stationery and, in general, printed materials, the Group is placing increasing emphasis on ensuring that they are made with FSC-certified paper, and with inks and processes that do not negatively impact the environment, integrating this goal in the Sustainability Plan.

4.2 Responsible consumption

With a view to environmental protection, the Salvatore Ferragamo Group pays close attention to its consumption[13] , promoting several initiatives to improve efficiency.
With the aim of disseminating throughout the whole Group awareness about health and safety, environmental protection and increased energy efficiency, during 2021, Salvatore Ferragamo updated and shared with the foreign Regions the Management System Guidelines – HSE & Energy.

ENERGY CONSUMPTION

In 2022, the Salvatore Ferragamo Group consumed 10,047 GJ of natural gas. Electricity consumption stood instead at 111,977 GJ. In relation to the consumption of non-renewable fuel, i.e., diesel and petrol, this stood at 8,103 GJ in 2022. Compared to 2021, electricity and non-renewable fuel consumption increased due to the steady recovery of business after the pandemic. As for the Italian scope, 100% of the energy used comes from renewable sources thanks to the purchase of energy certified through a guarantee of origin. In 2022, to accelerate the adoption of renewable electricity by investing in new clean energy infrastructure, the Group, as part of the Fashion Pact and in collaboration with 11 other brands, launched a Collective Virtual Power Purchase Agreement (CVPPA) for the European region. The first of its kind for the fashion industry, the CVPPA aims to add more than 100,000 MWh per year of new renewable electricity generation to the grid, equivalent to taking around 24,400 cars off the road.

Thanks to the photovoltaic fields at the Osmannoro site, with an installed power of 1,304.77 kWp, the electricity self-generated by the Company in 2022 was 5,939 GJ, of which 5,226 GJ were self-consumed while the remainder were sold to the grid. The self-consumed 5,226 GJ correspond to 17% of the Parent Company's total electricity consumption. As regards energy efficiency, of particular importance is the presence – in several buildings at the Osmannoro site and in some Italian stores – of a computerized management system, the Building Management System (BMS), which enables the control and monitoring of the mechanical and electric systems, such as for example micro-climate and illumination, depending on the amount of natural light from outside. In order to improve the micro-climate in all the work areas, thus ensuring thermal comfort and a reduction in the use of fossil fuels and CO_2 emissions, a procedure has been adopted to manage temperatures in the works areas at the Osmannoro site. By complying with the parameters indicated in the procedure, it is possible to obtain a 34 ton annual reduction in CO_2. The procedure, which regards the management of temperatures in both winter and summer, is one of the initiatives adopted by the Company to improve energy efficiency and compliance with environmental sustainability standards. In addition, multi-meters are present at the Osmannoro site in order to constantly monitor consumption.

[13] On the basis of their availably and materiality, the data for 2021 and 2022 have the following limitations:
- as for energy consumption, on the basis of the scope under consideration, i.e., approximately a 2,700 headcount in 2021 and 2,870 in 2022:
  - natural gas consumption covered 85% and 89% of the scope in 2021 and 2022, respectively (in 2022, consumption did not cover the European region – with the exception of Ferragamo Belgique SA and Ferragamo Austria GmbH – and South America);
  - electricity consumption covered 97% of the scope both in 2021 and 2022 (in 2022, consumption did not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd);
  - non-renewable fuel consumption covered 80% and 81% of the scope in 2021 and 2022, respectively (in 2022, consumption did not cover the offices of Ferragamo Fashion Trading (Shanghai) Co. Ltd and Ferragamo Moda (Shanghai) Co. Ltd);
- as for water consumption and waste production, on the basis of the scope under consideration and set out in the "Methodology" section, i.e., approximately a 1,200 headcount in 2021 and approximately 1,200 in 2022:
  - water consumption covered 78% and 76% of the scope in 2021 and 2022, respectively (in 2022, consumption did not cover the Asian region with the exception of Ferragamo Korea Ltd., the European region and South America);
  - waste production covered 77% of the scope in both 2021 and 2022 (in 2022, data did not cover the Asian region with the exception of Ferragamo Korea Ltd. and Ferragamo Australia Pty Ltd., South America, North America and the European region, with the exception of Italy). The data for 2021 and 2022 was directly provided by the companies that handle waste disposal.

Energy consumption of the Salvatore Ferragamo Group[14]

(In GJ)	2022	2021
Natural gas consumption	10,047	10,306
Electricity consumption	111,977	109,079
Non-renewable fuel consumption	8,103	7,261
Total energy consumption	130,127	126,647

WATER CONSUMPTION

The Group promotes a sensible and responsible use of water, intended primarily for hygiene-sanitary purposes, in that almost all production is outsourced. During 2022, water consumption in relation to the Group's offices alone was 36.7 megaliters (of which 73.8% from the aqueduct and 26.2% from ground water)[15]. Compared to 2021, water consumption increased due to the steady recovery of business after the pandemic.

WASTE

The Group is also committed to take action in order to reduce the production of waste arising from its operations, as well as to raise awareness among its employees with respect to proper management and disposal practices, encouraging to reuse and recycle materials as well as minimize waste. In order to understand and mitigate the impacts of its activities, the Group is also committed to verifying the incoming and outgoing flows that may generate waste. Within this framework, a Life Cycle Assessment study relating to the iconic Viva ballerinas was carried out in 2020, in accordance with the UNI EN ISO 14001:2015 standard, with the aim of quantifying the impacts associated with the production, distribution and end of life of the product. In line with the requirements of the ISO 14001:2015 environmental management system, adopted for all of the Group's Italian offices and stores, Salvatore Ferragamo developed specific procedures to ensure the effective and efficient management of waste, as well as a correct periodic monitoring of the waste produced. Among others, this management includes monitoring the ratio of hazardous waste to total waste generated, the amount of waste produced in relation to turnover and the amount of waste recycled in relation to the total waste produced. In Italy, waste management is entrusted to third parties, which deliver the waste to a temporary deposit facility, transport it to recycling or disposal plants and then process it. In order to verify that these third parties comply with the relevant legislation and environmental requirements in force, internal audits are periodically carried out.

Waste diverted from disposal - 2022

	Hazardous waste			Non-hazardous waste		
(In tons)	On-site	External site	Total	On-site	External site	Total
Preparation for re-use	-	-	-	-	-	-
Recycling	-	3.5	3.5	-	675.4	675.4
Other recovery operations	-	-	-	-	1.0	1.0
Total	**-**	**3.5**	**3.5**	**-**	**676.4**	**676.4**

[14] The conversion coefficients published by the Department for Environment, Food & Rural Affairs (DEFRA) in 2022 were used to calculate the energy consumption of petrol, diesel, natural gas and electricity in GJ.
[15] In 2021, water consumption was 16.2 megaliters (of which 94.9% from the aqueduct and 5.1% from ground water).

In 2022, the Salvatore Ferragamo Group's waste production stood at 731.8 tons (of which 99.5% was non-hazardous waste and the remaining 0.5% was hazardous waste)[16]. The waste generated by the Group's activities primarily refers to office materials, packaging, as well as fabric and leather waste.

Waste directed to disposal - 2022

	Hazardous waste			Non-hazardous waste		
(In tons)	**On-site**	**External site**	**Total**	**On-site**	**External site**	**Total**
Incineration, with energy recovery	-	-	-	-	2.3	2.3
Incineration, without energy recovery	-	-	-	-	-	-
Landfill disposal	-	0.1	0.1	-	47.4	47.4
Other disposal operations	-	-	-	1.0	1.1	2.1
Total	**-**	**0.1**	**0.1**	**1.0**	**50.8**	**51.8**

[16] Waste production in 2021 stood at 812.9 tons (of which 99.5% was non-hazardous waste and the remaining 0.5% was hazardous waste):
- as regards waste directed to disposal, amounting to 269.7 tons, 99.8% consisted of non-hazardous waste and the remaining 0.2% of hazardous waste:
  - as regards non-hazardous waste, 2.0 tons were incinerated without energy recovery at an external site, 224.9 tons were landfilled at an external site, 19.0 tons were treated through other on-site disposal operations and the remaining 23.3 tons were treated through other disposal operations at an external site;
  - as regards hazardous waste, 0.16 tons were disposed of by landfill treatment at external sites and 0.27 tons through other disposal methods at external sites;
- as regards waste diverted from disposal, amounting to 543.2 tons, 99.4% consisted of non-hazardous waste and the remaining 0.6% of hazardous waste. All the waste diverted from disposal was recycled at external sites.

INITIATIVES TO IMPROVE EFFICIENCY

With reference to the initiatives implemented by the Group to improve efficiency, a significant example of energy efficiency and optimization of consumption is the Osmannoro Logistics Hub. The building of around 20,000 sq. m, which was opened in 2018, obtained the highest level of LEED certification, i.e., Platinum. This had previously been obtained in 2016 by the Q building at the Osmannoro site. The Hub project envisaged the revision of the access and transport system within the facility in accordance with the concepts of simplification and rationalization of routes. In addition to the parking spaces in the garage, in order to promote the use of alternative means of transportation, some parking spaces have been reserved for low-emission vehicles and some spaces have been reserved for those who use carpooling for commuting. In addition, thanks to numerous expedients in the technical systems, water consumption has been optimized, leading to a 50% reduction in total water consumption for irrigation and a 100% reduction in the consumption of drinking water. The electrical and mechanical systems have been designed to minimize light pollution, and the property features a BMS (Building Management System) allowing regulating mechanical systems as well as monitoring and managing electrical ones. On the roof there is a photovoltaic system with a peak capacity of 863.50 kWp and consisting of over 3,200 solar panels, resulting in a net 5,350 sq. m installed surface area. Furthermore, measures consistent with the LEED standard have been implemented for both mechanical and electrical systems, such as the use of lamps that reduce light pollution to a minimum. In addition, the construction work was made more sustainable through the use of products made of FSC-certified wood and of materials with a high level of recycled content and/or made locally, always in line with LEED standards.

In 2020, building M, designed to meet the main environmental standards and located at the Osmannoro site, also received the LEED Platinum certification. In line with what was developed for the Logistics Hub, the building is equipped with a BMS (Building Management System) and multimeters. To ensure greater energy efficiency, the building lighting was replaced during 2022. Furthermore, with reference to additional efficiency-boosting initiatives introduced by the Group, in 2022, special films aimed at regulating the micro-climate were installed on some of the Company's buildings, and the air-conditioning and lighting systems at the Osmannoro site were optimized, thanks to a change in the set points of the systems, which led to a reduction in consumption.

Over the years, efforts to obtain certifications have also involved the retail area. The Group obtained the LEED Gold certification for the following stores: Beijing China World, Canton Road in Hong Kong, Copley Place in Boston, Madrid and Hong Kong City Gate. It obtained the LEED Silver certification for the following stores: Seasons Place Beijing, Pacific Place in Hong Kong, Troy in Michigan and the Ginza flagship store.

In addition, in 2022, the scope of certification of the Energy Management System according to the ISO 50001:2018 Standard, already in place for the Osmannoro site, was extended to all the retail stores in Italy, the Milan offices and Palazzo Spini Feroni. The certification sets out the requirements for designing, implementing, maintaining and improving energy management systems and, through a systemic approach, aims to facilitate the achievement of certain goals, including the commitment to initiatives aimed at enhancing energy performance, the dissemination within the Company of the energy management system targets and the related implementation programs, the optimization of the use of energy resources and the increase in the use of alternative and renewable energy sources.

4.3 Climate change and emissions monitoring

Carbon footprint[17]

	2022	2021
SCOPE 1 – Direct emissions (tCO_2e)	**1,122**	**1,112**
SCOPE 2 – Indirect emissions associated with electricity generation – location based (tCO_2)	**11,952**	**12,122**
SCOPE 2 – Indirect emissions associated with electricity generation – market based (tCO_2)	**10,256**	**10,332**
SCOPE 3 – Indirect emissions (tCO_2e)	**269,793**	**232,634**
Cat. 1 Indirect emissions attributable to purchases of raw materials and services	179,669	151,247
Cat. 8 and 9 Indirect emissions attributable to logistics	28,413	25,876
Cat. 6 Indirect emissions attributable to business travel	1,521	381
Altro	60,190	55,130

[17] Based on the availability and materiality of data, the scope of the analysis, i.e., a headcount of approximately 2,700 in 2021 and approximately 2,870 in 2022, is subject to the following limitations:
- the emissions from natural gas and non-renewable fuel consumption (SCOPE 1) and electricity consumption (SCOPE 2) covered the same scopes set out in note 13;
- the emissions related to rail, car and air business travel (SCOPE 3) covered 80% and 81% of the scope in 2021 and 2022, respectively.

The factors used in 2021 and 2022 to calculate SCOPE 1 emissions are those issued by the Department for Environment, Food & Rural Affairs (DEFRA) in 2022 and 2021.
For the calculation of SCOPE 2 emissions, the factors used are those published by Terna referring to the year 2019 for SCOPE 2 location-based 2022, while for SCOPE 2 market-based, the factors used for European countries are those published by AIB (Association of Issuing Bodies) in 2022 for 2022. Finally, for the SCOPE 2 market-based calculation, the emission factors used for non-European countries are those published by Terna referring to the year 2019 for the year 2022. SCOPE 2 emissions are expressed in tons of CO2; however, it is specified that the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO2 equivalent), as can be seen from the technical literature.
Other indirect emissions generated by other organizations and which are a consequence of the Group's activities (known as "SCOPE 3 emissions") have been calculated in accordance with the "GHG Protocol Corporate Value Chain (SCOPE 3) Accounting and Reporting Standard".
For each of the SCOPE 3 categories identified as relevant, GHG emissions were quantified by multiplying the organization's activity data by the specific emission factor. The main sources of the emission factors used are the UK Department for Environment, Food & Rural Affairs (DEFRA) publication for the year 2022 and the Ecoinvent 3.8 database published in September 2021. The relevant SCOPE 3 categories taken into consideration are: "Purchases of raw materials and services", "logistics" including upstream and downstream transportation and distribution and "business travel". The "other" item includes indirect emissions generated by the following categories: "capital goods", "fuel- and energy-related activities (not included in Scope 1 or Scope 2)", "waste generated in operations", "employee commuting", "upstream leased assets", "end-of-life treatment of sold products", "downstream leased assets" and "franchises". Scope 3 Category 1 emissions for 2021 have been updated with respect to those published in the previous Non-Financial Statement following an improvement in the calculation methodology. For the previously published emissions, please refer to the Non-Financial Statement for 2021.

Mitigating the effects of climate change is one of the main objectives of the Fashion Pact, which, among other commitments, requires its members to adopt specific CO_2 emission reduction targets. Within this framework, the Group has defined the abatement and compensation of CO_2 emissions as one of the priorities established in its Sustainability Plan.

To confirm this commitment and in line with the level of decarbonization required to prevent the most damaging effects of climate change, the Salvatore Ferragamo Group defined its science-based targets to reduce greenhouse gas emissions (GHG). In August 2020, the Science Based Targets initiative, which establishes and promotes best practice in defining science-based targets, as well as assessing companies' targets, endorsed the two important targets:

- reducing by 42% Scope 1 and Scope 2 absolute GHG emissions by 2029 compared to 2019;
- reducing by 42% Scope 3 absolute GHG emissions, deriving from the purchase of goods and services and from the downstream transport and distribution, by 2029 compared to 2019.

In 2022, the Group's Scope 3 emissions amounted to 269,793 tons of CO_2e. With a view to setting science-based targets, since 2019 a project related to the calculation of emissions attributable to the Scope 3 "Logistics" category has been started. Again in 2022, the number of transfers, the weight transported and the distance traveled were calculated for all the Group's upstream and downstream shipments. Specifically, for the upstream stage, information was collected relating to the transfers from the raw material suppliers to the Raw Materials Warehouse at Osmannoro, from the Raw Materials Warehouse to the contract manufacturers and from the latter to the Finished Products Warehouse at Osmannoro. As for the downstream stage, the collection of information regarded the transfers from the Finished Products Warehouse at Osmannoro to European customers/stores and to other warehouses/customers/stores worldwide and the deliveries from Local Warehouses (outside the EU) to customers/stores worldwide. In 2022, total GHG emissions from the Group's logistics amounted to 28,413 tons of CO_2e, of which 21,002 tons of CO_2e for the downstream stage and 7,411 tons of CO_2e for the upstream stage. Moreover, in line with the defined commitment, greenhouse gas (GHG) emissions were calculated for the category "Purchases of raw materials and services" of Scope 3. The category quantifies the emissions related to the extraction and production of raw materials used and the provision of services used by the Group during the year. Through the involvement of the relevant corporate functions, data on direct purchases of raw materials and purchases of services were collected. Total GHG emissions for the 2022 reporting year were 179,669 tons of CO_2e. Compared to 2021, Scope 3 emissions increased due to the steady recovery of business after the pandemic.

In order to facilitate the development and implementation of plans to manage greenhouse gases by the organization itself, also in 2022 Salvatore Ferragamo maintained the ISO 14064 certification according to the 2019 version of the standard. The ISO 14064:2019 standard, already implemented for the Osmannoro plant, the Milan offices, Palazzo Spini Feroni and the Museo Salvatore Ferragamo – Italy's first green corporate museum – and extended to Italian stores in 2019, sets out the principles and requirements for quantifying and reporting greenhouse gas emissions related to the activities carried out. Obtaining the ISO 14064 certification, as specified in the related Policy, allows certifying the best international practices in the management, measurement and verification of data and information related to greenhouse gas emissions, and its extension to all the Group's Italian offices represented an important progress in the process of continuous improvement towards ever higher sustainability standards.

Since 2017, bearing witness to the Group's commitment to reduce environmental impacts, Salvatore Ferragamo has voluntarily taken part in the CDP survey to report on CO_2 emissions. The goal of the CDP is to promote transparency about the emissions generated by businesses, cities, states, and regions, allowing anyone to obtain information on the environmental impacts of each of these entities. The assessment was conducted for the "Climate Change" section through a comprehensive survey on emissions and consumption. In 2022, Salvatore Ferragamo obtained a score of B, which is in line with the overall textiles & fabric goods industry average and the European average, and higher than the overall global average.

The reduction of the environmental impact and of CO_2 emissions released into the atmosphere is a key issue also in the Environmental Policy formalized by Salvatore

Ferragamo S.p.A., in line with the requirements of the environmental management system ISO 14001:2015, adopted for all the Italian offices and the stores. In fact, the Policy calls for action by the Company on its processes and products to keep atmospheric emissions under control, in order to identify and monitor environmental indicators.

Among the other initiatives, in 2022 the agreement with UPS to offset all the emissions caused by deliveries in the United States of products ordered through eCommerce was extended. This offset takes place by adhering to carbon neutral projects, and 206.8 tons of CO_2e were offset in 2022. The offset programs have continued also in Europe thanks to a partnership with DHL Express, regarding eCommerce shipments, for the GoGreen project, which envisages the offset of CO_2 emissions resulting from the Group's shipments, equal to about 96 tons of CO_2e in 2022.

In order to reduce CO_2 emissions from the delivery of goods and products over a short distance, in 2022 the collaboration with UBM bike couriers, for the deliveries of orders placed by customers at the Milan stores, continued. Again for the same purpose, collaboration was confirmed with Ecopony, an express courier service by bike, which enables the Florence store to deliver in the city without releasing any CO_2 emissions into the atmosphere.

In addition, with a view to reducing the environmental impact linked to the supply chain, the initiative aimed at promoting the reuse of cardboard boxes by footwear manufacturers, in order to reduce CO_2 emissions from the production of cardboard, continued. The project, which started in 2016 and was extended to 5 of the Group's main contract manufacturers, led to a saving of approximately 27 tons of CO_2 in 2022 thanks to the saving of emissions from the manufacture of new cardboard.

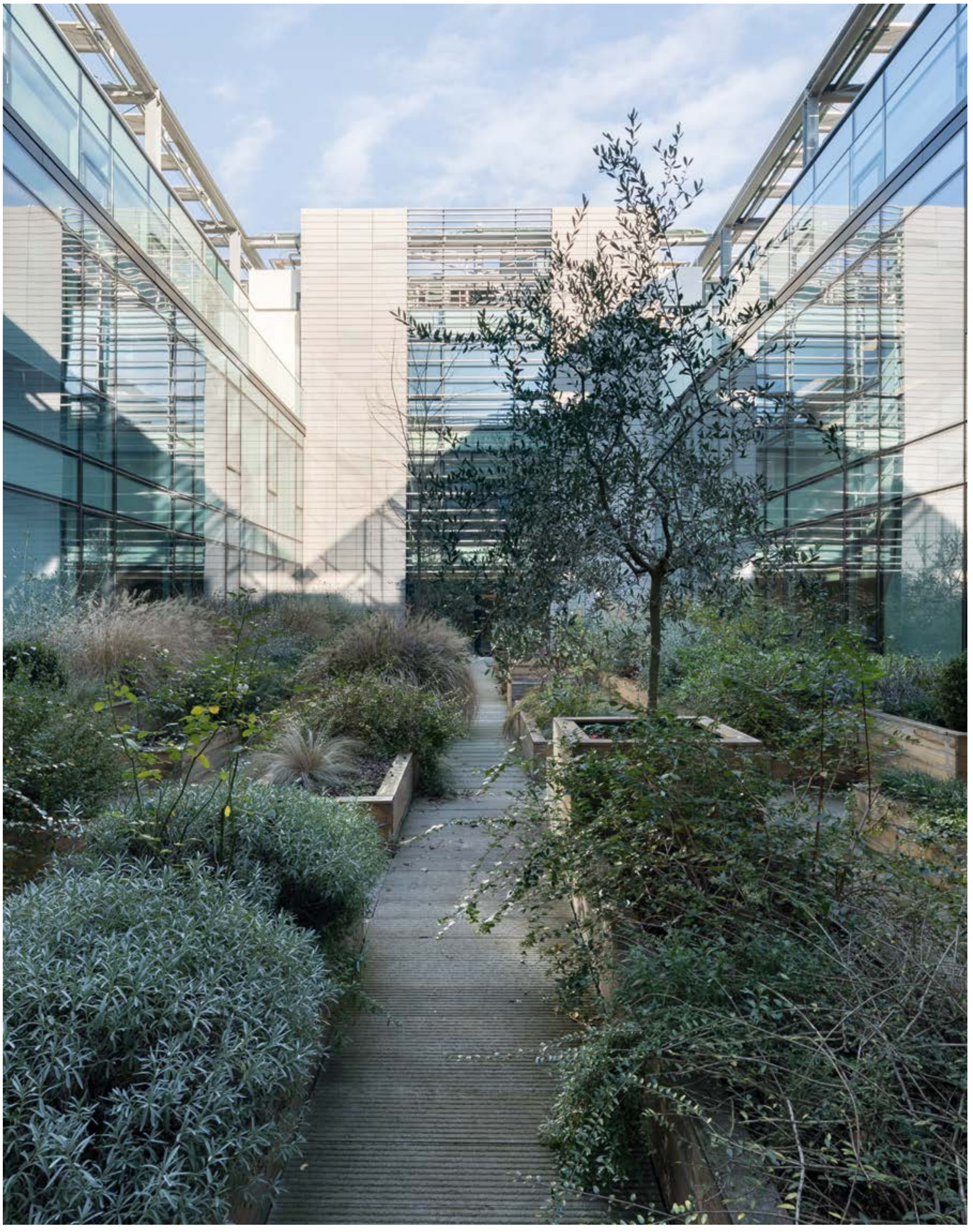
Part of the environmental protection strategy is also the completion of the project, started in 2020, to offset emissions from the iconic Viva model. In line with the goal of making a positive contribution to protecting and safeguarding the environment, Salvatore Ferragamo decided to calculate the carbon footprint of the Viva model, which includes all the phases from design to production and delivery to stores, obtaining the ISO 14067:2018 certification – Product Carbon Footprint. This calculation allowed the Company to offset the environmental impact generated by supporting a wind farm project in India. Moreover, Salvatore Ferragamo extended the quantification to other environmental impacts of the Viva model according to the Life Cycle Assessment (LCA) methodology in compliance with the UNI EN ISO14001:2015 standard.

The search for sustainable mobility solutions is another key aspect of the Group's sustainability vision. In Italy, Salvatore Ferragamo has adopted a Commuting Plan for the Osmannoro site and, for several years now, has had a Mobility Manager to optimize employee travel and promote solutions allowing to curb environmental impacts. Within this framework, in 2022 a number of sustainable mobility initiatives were renewed, including the corporate carpooling service and the Bici&Piedi program, both in collaboration with JoJob. Bici&Piedi, which allows anyone coming to work on foot or by bike to take part in the initiative and to reduce CO_2 emissions, has also been extended to electric micro-mobility. With the aim of promoting sustainable mobility and the use of JoJob, the prize competitions have been replaced with a new incentive method based on cash back. In 2022, the collaboration with JoJob was also extended to all Milan offices.

Finally, in 2022 the Group confirmed the agreements, in favor of its employees, with car and motorcycle manufacturers that offer hybrid or electric vehicles, car sharing services and sustainable micro-mobility services, such as To-tem.

Still with a view to reducing emissions generated by mobility, the agreement signed in 2021 with Alphabet – a BMW Group company that provides corporate mobility services – to replace the fleet of corporate vehicles in Italy with Plug-In Hybrid or Full Electric cars continued, with the aim of reducing CO_2 emissions. The Company therefore installed another 16 electric charging stations at its Osmannoro site in 2022.

Finally, in 2022 Salvatore Ferragamo joined again the "Air France KLM Corporate SAF Program" project, an initiative launched by Air France and KLM. The Program allows for the reduction of the environmental impact generated by employees' air travel, thanks to a more significant use of fuels produced from food oil waste.



5. SOCIAL RESPONSIBILITY

5.1 Quality and Made in Italy

Ferragamo has always been synonymous with Made in Italy, and quality – an unmistakable sign of refinement and excellence – is indisputable, permeating every facet of the Company's spirit and business operations. Right from his early days in the United States in the 1920s, Salvatore Ferragamo was a pioneer in exporting Made in Italy quality, craftsmanship that is not just a question of manual skills but also of experience, utmost care and attention to detail, continuous research into materials and technologies.

For Salvatore Ferragamo, inventiveness knew no bounds. The challenges became stimuli for creativity, which found its highest expression in materials. The Founder never set limits to the fields in which to research and experiment. The material, in the same way as the shape and craftsmanship on which the beauty, comfort and durability of a shoe depend, was valorized by Salvatore in every model, so as to leave the material's qualities unchanged and, at the same time, to adapt it to the functionality of the shoe. The continuous research and experimentation were not only for leather and embroidered uppers, the heirs of a centuries-long tradition of Italian craftsmanship, but also for poorer materials which had never been used for shoes in Ferragamo's time: paper, bark, raffia, fish skin and cellophane. Many of the Founder's most famous creations are products of his time and clearly show he was sensitive to the economic and manufacturing changes that swept Italy in the 20th century. To strengthen the sole of his shoes during the autarky of the 1930s, Salvatore Ferragamo had the brilliant idea of using cork and thus created the wedge, one of the fashion industry's most revolutionary and enduring innovations. The change in vision, caused by unfavorable circumstances, becomes for the true creative designer a powerful stimulus to refine research and to find alternative solutions which maintain the key goals of fashion, i.e., glamour and innovation. This is the lesson that Ferragamo left us with his work: any material, even the most modest and apparently unsuitable for a luxury business, can be brilliantly and creatively adapted when the ideas, which are linked to the materials, are driven by limitless technical and innovative ability.

This extraordinary ability has become a legendary legacy today. The Patent Archive of the Founder has over 350 patents and trademarks – which at the start of the 21st century were retrieved from the patent fund of the Central State Archive – thus holding a technical and scientific know-how of inestimable value. The Founder's restless creativity is reflected in the massive number of ideas he patented over the years, such as the shell-shaped sole, the wedge, the sculpted heel, the invisible upper, the cage heel, and the metal sole. The Archive is still today a source of innovation and inspiration for the new generations of creative talents.

SUSTAINABLE THINKING

Today, the interest and drive to experiment remain, making the constant search for innovation a key value for the Brand. In 2022, also thanks to the cross-functional work team dedicated to the inclusion of alternative, regenerated and circular materials in its collections, the Group strengthened the link between sustainability and its products. An example is the Multicolor Eyewear Capsule, a collection of colorful genderless sunglasses featuring frames made from a bio-based composite material and lenses made from bio-based materials obtained from wood and waste from agricultural industries. The Multicolor models also come with a case made of 50% pre-consumer recycled plastic. Also in 2022, on the occasion of National Ocean Month, Ferragamo presented the re-edition of the F-80 Skeleton With Sustainable Strap, a watch whose strap is made with materials with a reduced environmental impact: a thin layer of FSC-certified cork covers the inner part, while the outer layer is made of a fabric composed of post-consumer recycled PET fiber with hole covers made of vegetable tanned leather. Eco-friendly materials were also used for the packaging: the box is made of FSC-certified cardboard, while the protective wooden and metal shell is internally covered with hemp and externally in fabric composed of post-consumer recycled PET fiber. Moreover, the watch cushion is made of bioplastic material 100% obtained from sugar cane.

Creating better products, however, also means starting from the early stages of the supply chain, paying close attention to the fibers and raw materials used. For this reason, the Company replaced a number of basic components with more responsible materials: starting with the Fall-Winter 2021 collection, all leather soles used for the Brand's footwear have been purchased from suppliers certified according to the UNI 11427 Ecological Leather Standard; moreover, starting from the Pre-Spring 2022 collection, for all leather creations, from footwear to accessories, a 100% recycled polyester yarn from post-consumer sources has been used; finally, from 2022, the viscose used for Vara bows has been replaced with a viscose that respects the well-being of forests and local communities. These initiatives are complementary to the many innovative and low environmental impact materials included in Ferragamo's collections: from organic cotton to regenerated nylon and polyester yarns, from post-consumer recycled wool and cashmere to metal-free leather sourced from Leather Working Group certified tanneries.

To facilitate the choice of innovative and responsible materials and ensure the highest quality, a guideline document has been drawn up defining characteristics, certifications, standards, partnerships and preferred sources of supply to respect the environment, people and the planet. In 2022, this document, which continues to evolve, was revised in order to reflect the constant updating work given the nature of continuous innovation of the raw materials used in the collections. Moreover, in order to ensure greater attention to leather from a sustainability perspective, since 2021, the Company has joined the Leather Working Group (LWG), a non-profit organization for stakeholders in the tanning sector's value chain, which work in synergy in order to improve the environmental management of the leather manufacturing industry.

MANOVIA AND MODELLERIA

The quality and craftsmanship that have always been the hallmarks of Ferragamo's footwear design and development find their highest expression in Manovia, the historic prototyping and manufacturing unit set up in 1967 where material cutters, sewers and assemblers work. Recently renovated at the Osmannoro site, the Manovia – which consists of approximately 20 artisans – mainly creates samples and prototypes and fine-tunes the structures (stretchers, heels, insoles and soles) for the new models and, since 2021, a limited production of sneakers.

Another place where the excellence of technique and the creativity of those who research the materials, create the style, and make the Ferragamo product are celebrated is the Modelleria for Men's and Women's Leather Goods, a workshop operating since 2017, designed with the aim of transmitting know-how from leather craftsmen to new talents. Staying true to its Italian tradition and craftsmanship, the Group wants to celebrate the "Ferragamo touch" in the world of leather goods, with infinite possibilities for testing innovative types of leather and materials during the processing stages as well as improving the quality and efficiency of development processes. Together, the Manovia and Modelleria are key to preserving the know-how passed on by the Founder and carried on by the skilled craftsmen of the Salvatore Ferragamo Group.

5.2 Responsible and transparent procurement

Suppliers in figures - 2022

99.8%
Accessories purchased from Italian suppliers

91.6%
Leather hides purchased from Italian tanneries

100%
Other raw materials purchased from Italian suppliers

99.5%
Textiles purchased from Italian suppliers

While respecting the values of quality and Made in Italy, the Group has always been committed to supporting the development of local communities, promoting Italy's world-class manufacturers and carefully purchasing products and services almost exclusively from Italian suppliers[18], both of first and second tier. The philosophy of the Founder, who remained deeply connected to his roots, still lives on in the strategy of the Group, which relies on a wide network of carefully selected and qualified contract manufacturers known for their outstanding craftsmanship. Many of them have been working with Salvatore Ferragamo for years now. Among the Group's Tier 1 suppliers, 90 provide processing services and supply finished products, while 250 supply raw materials and components. Tier 2 suppliers, instead, include around 370 subcontractors for processing services and the supply of finished products and 230 subcontractors for raw materials and components.

In order to deliver a quality product while making production and distribution cycles more efficient and flexible, the Salvatore Ferragamo Group pays special attention to the key stages of the supply chain, limiting subcontracting to only one tier in order to better monitor quality throughout the supply chain. Similarly, the Group directly manages the product development and

[18] The data and information presented in Chapter 5.2 refer only to production-related suppliers. The Group also relies on a network of suppliers of ancillary goods and services, located primarily in Italy. Other important commercial relations are those with the stores. For more details see "The Salvatore Ferragamo Group's activities" section of the Report on Operations.

industrialization stages, performing quality and safety controls, both upstream and downstream of the manufacturing process, on the whole production.

When selecting suitable suppliers, the Group places special emphasis on the technical assessment of raw materials, semi-finished and finished products as well as the acquisition of documents concerning manufacturing plants – and, in some cases, it follows up with a visit to the premises. In order to ensure the essential quality of the Brand's products, the Salvatore Ferragamo Group uses a selection process for suppliers and contract manufacturers, aimed at assessing whether the potential new partners have the technical and qualitative requirements, the economic and financial prerequisites and all the documentation and certification required to start collaborating.

Potential new partners must meet specific requirements in order to qualify as suppliers and contract manufacturers of raw materials or finished products for the Group, including: the acceptance of the Supplier Code of Conduct, the Privacy Policy, the signing of the Restricted Substances Lists (RSLs), the statement of compliance with social security, welfare and occupational safety regulations. In addition, the Group's main suppliers, who play a strategic role and/or supply materials marked by their own distinctive signs, are required to sign the trademark protection agreement, to provide the list of any sub-contract manufacturers that are part of the supply chain, as well as additional documents of a general nature and the verification of the supplier's financial position. Moreover, for contract manufacturers or suppliers of raw materials or finished products of animal origin, the signing of the Group's Animal Welfare Policy is also mandatory during the qualification phase.

In order to facilitate the qualification process for its supply chain, including the signing of the Supplier Code of Conduct and the Animal Welfare Policy, in 2019 the Ferragamo Link platform was launched, an integrated and collaborative solution for managing information and document flows with suppliers. The collaborative platform was designed in an intuitive way, with the aim of systematically managing the accreditation of a new supplier and the qualification of all direct suppliers of raw materials and finished products and in order to foster a synergistic and always positive relationship with the entire supply chain. During 2021, the platform was optimized to include new features and was adapted following the update of the Supplier Qualification Procedure, which provided for a reduction in the number of required documents.

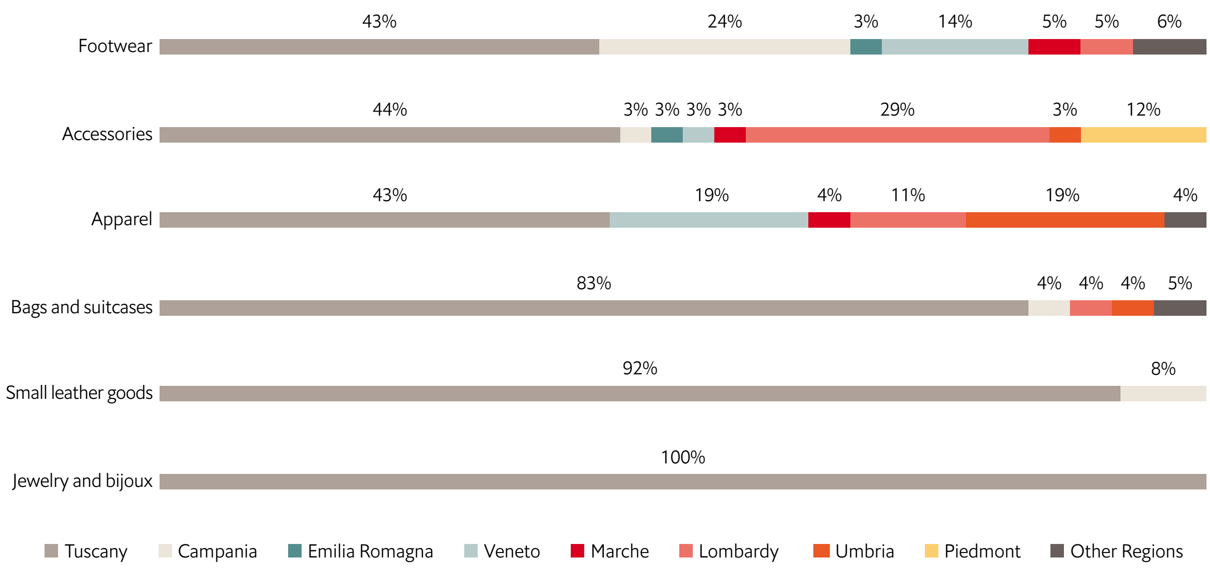
CHEMICAL SAFETY

The Group recognizes the importance of manufacturing and selling products which comply, in terms of chemical safety, to the laws in force on global markets, in order to protect the health of workers and consumers as well as reduce the environmental impact from manufacturing and throughout the product's life cycle. EU legislation relating to chemical safety is based on the REACH regulation, which regulates the restriction of the use of chemicals. For these purposes, environmental and toxicity tests are conducted on several components and finished products such as accessories, footwear structures, leather, textiles, leather goods, ready to wear and rubber soles, and the Company selects its suppliers focusing on those that can boast virtuous certifications. Since 2016, the issue of chemical substances has also been addressed through the presentation of Salvatore Ferragamo Group's Restricted Substances Lists (RSL), which establish even stricter criteria than the REACH regulation, in line with the restrictions imposed by the other geographical areas where Ferragamo products are marketed. The lists, which were drawn up voluntarily in order to eliminate or restrict the use of some chemical substances during the manufacturing process, were updated in 2021 and were shared with all suppliers and contract manufacturers and signed by them. In 2021, the subscription of the updated Group's RSL by suppliers of special works and structures, with both direct and indirect relationships with the Company, was completed.

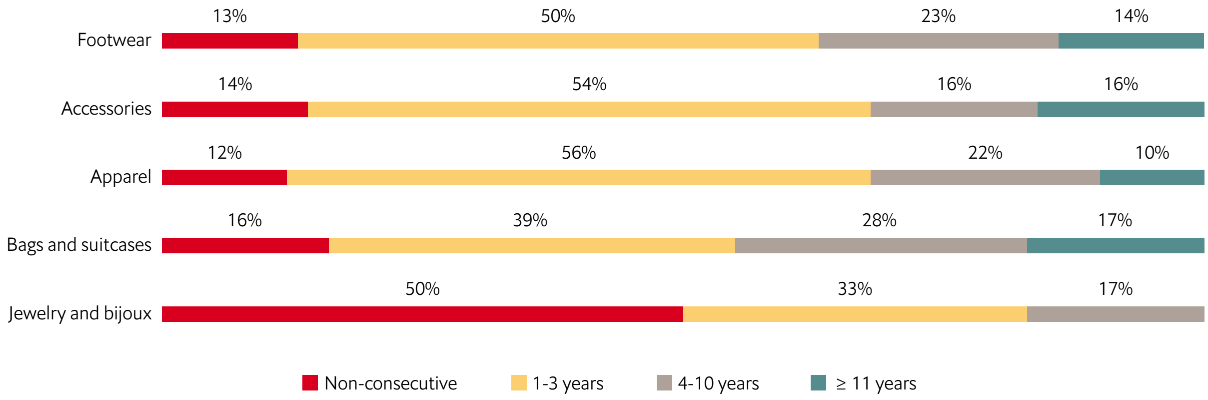
SUPPLY CHAIN

The Group relies on a procurement structure with a high level of technical preparation and works with companies, with which it has long established an ongoing collaboration. This structure highlights the Group's strong connection to the local community and, considering the geographic distribution, it has a high percentage of Italian raw material suppliers, equal to around 97% of procurement in 2022. Moreover, Tuscan contract manufacturers accounted for 54% of the turnover of finished product processing, while Campanian contract manufacturers accounted for 25%; the remaining part of this 2022 turnover is allocated to the other Italian regions.

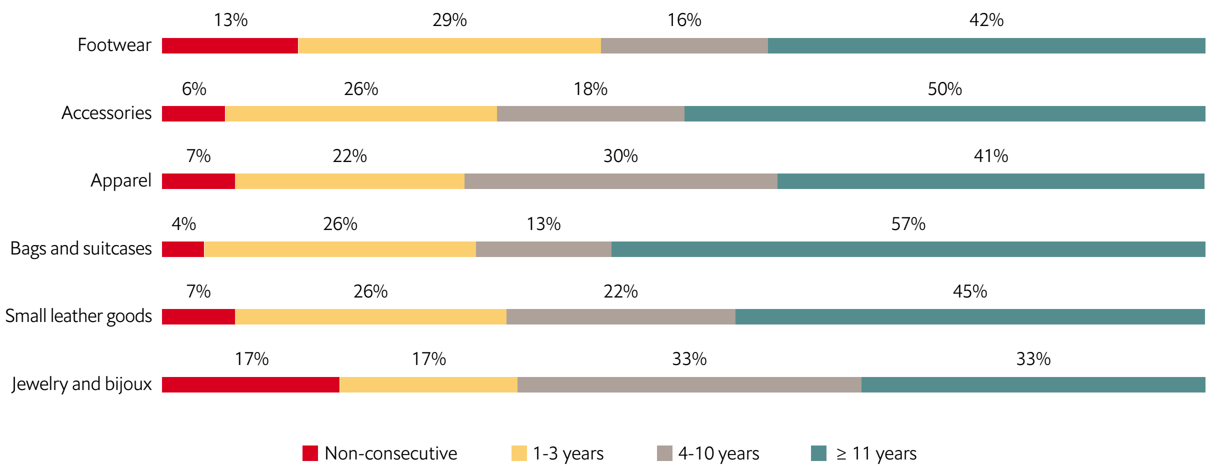
Geographical breakdown of Italian contract manufacturers by sector - 2022



Consecutive years of partnership with suppliers by sector - 2022



Consecutive years of partnership with contract manufacturers by sector - 2022



With respect to contract manufacturers, the Salvatore Ferragamo Group works exclusively with highly specialized manufacturing companies that meet the most demanding quality standards. Virtually all of them are located in Italy. The selection and retention of external contract manufacturers is key to the Brand, mainly for the purposes of maintaining the world-class quality standards of its products as well as protecting Ferragamo's extensive know-how developed over the years. Approximately 44% of contract manufacturers have worked with Salvatore Ferragamo for over 11 years, including 57% of bag and suitcase manufacturers and 50% of accessory manufacturers. The retention of external workshops has been traditionally guaranteed by ongoing partnerships, the frequent exchange of information and skills between the Group and the contract manufacturers, and the highly specialized products and production processes involved. This integration is supported by an IT system that connects the main workshops with the Group. This allows to share the progress of production and logistic processes, check whether raw materials are in the contract manufacturers' stock, and effectively plan the production stages as well as the procurement of raw materials and components. In addition, by signing the trademark protection agreement, the Salvatore Ferragamo Group bans external workshops from selling the Brand's products to third parties. Contract manufacturers are required to disclose if they work with any subcontractors, to which they can outsource different production processes, in accordance with the Policy limiting subcontracting to just one tier. In addition, the Group constantly monitors workshops through inspections performed by technical and production staff.

SUPPLY CHAIN MONITORING

For the Group, collaborating with the supply chain is key to achieving the highest ethical and sustainable business development standards: for this reason, it promotes monitoring and awareness-raising initiatives along its supply chain constantly monitoring the adequacy of the procurement model. In particular, risk elements in the supply chain are assessed – in terms of impact and likelihood of occurrence – with respect to human rights, child labor, forced and compulsory labor, non-discrimination, freedom of association and collective bargaining, occupational health and safety, working time, remuneration and regularity of working conditions and applied disciplinary practices.

In order to mitigate the likelihood and impact of the occurrence of risks of human rights violations in its production chain, the Group carries out several controls related to their respect and, more generally, to the promotion of integrity and ethics in business. In particular, in addition to a specific qualification procedure for suppliers in the production sector, starting in 2019, the Group disseminated and required the signing of a specific Code of Conduct. Drawn up with a view to integrating social responsibility and collaborating with its own supply chain, the Supplier Code of Conduct sets out ethical principles and rules of conduct, which supplement the legal, regulatory and procedural standards that underpin commercial relations with the supply chain. The rules and standards of conduct concern business ethics and integrity, labor and human rights, respect for ecosystems and product responsibility. The recipients are responsible for guaranteeing their own compliance with the Code, as well as for disseminating it and asking their employees, suppliers and external collaborators to comply with it.

In order to monitor compliance with the ethical and social standards characterizing its supply chain, the Group carries out audits of its direct suppliers and sub-suppliers, assessing their actual compliance with the principles set out in its Supplier Code of Conduct. The monitoring activity is carried out by a specialized external company according to a multi-year plan and includes both the request for a self-assessment, by filling in a questionnaire, and on-site audits, with interviews with workers and management and an inspection of suppliers' production sites. Based on the results of the audits carried out, in case of non-compliance with the provisions of the Code, the addressees are obliged to implement the actions required to adjust their activities and operations in order to remove, prevent or mitigate any identified non-compliance. The plan envisages specific actions to be implemented within agreed deadlines or suggestions for improvement activities.
In the event of serious or repeated violations of the Code, the Group reserves the right to terminate business relations with suppliers, as well as in the event of failure to

implement the agreed improvement plan for the removal of any major non-conformities or failure to cooperate in the implementation of monitoring activities.
The Group encourages its suppliers to communicate any requests for information and interpretations on the adoption of the Code of Conduct and has set up specific channels for sending reports of alleged or ascertained violations of its provisions. Reports can be submitted via the dedicated e-mail address or regular mail to the Group Ethics Committee, appointed by the Board of Directors. The Group Ethics Committee is responsible for investigating complaints or possible violations of the Code of Ethics, laws and any other internal Group procedure and to carry out all the necessary checks to verify their legitimacy and promote the corrective action deemed necessary for their resolution.

In 2022, no reports or complaints were received with reference to issues related to human rights or violations of the Supplier Code of Conduct.

In 2022, 40 self-assessments and 74 audits of both direct suppliers and subcontractors were carried out. With reference to the non-compliances identified, 64 follow-ups were also conducted to verify the corrective measures implemented, of which 54 were carried out remotely and 10 through new visits to the suppliers' sites.
Among these, the most significant critical issues that emerged in 2022 concerned only indirect suppliers and for the most part related to compliance with occupational health and safety standards. Minor findings and recommendations also mainly concerned health and safety issues and, for the remainder, environmental issues. With regard to respect for human and workers' rights, non-compliances emerged in a limited number of cases, exclusively related to subcontractors – irregularities that were promptly reported to the Company's direct suppliers to ensure that immediate corrective actions would be adopted.
Also in 2023, the Salvatore Ferragamo Group will be committed to continuing this monitoring, in order to guarantee responsible management of its supply chain in compliance with the laws in force.

ANIMAL WELFARE

In line with the special attention paid to social, environmental and economic impacts, the responsible procurement of materials of animal origin, which are used in manufacturing processes, is particularly important for each product category. The Group considers the approach to the issue of animal welfare along the supply chain as crucial, in the knowledge that the value of products can be maximized only while respecting the environment and biodiversity. To formalize its commitment to animal welfare, in 2020 the Group adopted an Animal Welfare Policy in order to guarantee that the whole supply chain acts appropriately in terms of animal welfare. The Policy establishes the minimum requirements, certifications, standards, forms of collaboration, strategies and procurement sources to be favored in order to guarantee such animal welfare.

5.3 Customer focus

For Salvatore Ferragamo, quality lays not only in the craftsmanship excellence of its creations, but also in guaranteeing a gratifying customer experience. The Group continues to pursue several initiatives aimed at customer satisfaction, adopting a customer-centric strategy that allows anticipating the needs of existing and potential customers in order to create long-term value.

This strategy has been further strengthened with the arrival, at the beginning of 2022, of a new Creative Director at the helm of the Brand, who has made way for a new vision and stylistic direction.

During 2022, the Brand continued promoting the development of collections increasingly more focused on the needs of existing and potential customers, with the ultimate goal of creating a dialog with the younger generations, i.e., Gen Z and Gen Alpha. These activities have been made possible thanks to the collaboration between the Merchandising and Customer Experience teams, which worked increasingly side by side, thus enabling a better understanding of existing and potential customers, so as to propose collections that are increasingly focused on what the market is looking for. In order to be able to implement the Company's customer-centric strategy, it was essential to continue also in 2022 with the implementation of a continuous flow of dialog with the markets, with the aim of meeting specific requirements and sharing regional best practices.

In September 2022, the 2023 Spring/Summer men's and women's collection fashion show was held in the extraordinary setting of the former Archiepiscopal seminary of Milan, with the debut of new Creative Director, Maximilian Davis. The new Ferragamo logo was also presented during the fashion show.

RETAIL AND DIGITAL EXPERIENCES

To ensure maximum customer understanding and satisfaction in every situation, the Group strives to make its sales staff capable of conveying the same customer focus and passion for craftsmanship and quality that characterized Salvatore Ferragamo. In this regard, the retail training program focuses on the importance of customer relationship and of store managers and sales assistants training. The cornerstone of the retail strategy is directly linked to the customer experience, in order to enable them to experience "Ferragamo emotions". In 2022, the learning methods and tools used for training were still impacted by the emergency situation caused by the pandemic, but were designed to provide Retail teams with engaging and exciting experiences, despite the physical distance. These training initiatives had a positive impact on the customer experience, as periodically shown by the feedback received through the Mystery Shopping program, and enabled continued staff engagement at a time of great need for social interaction and return of in-store traffic.

Also in 2022, to create opportunities for dialog with and listening to customers, the projects ClientiAmo – a clienteling app that facilitates personalized interaction between sales staff and customers – and Heartbeat – a net promoter score system dedicated to understanding customer needs with the aim of increasing customer satisfaction – were expanded.

For Ferragamo, the store has always been one of the main points of contact to communicate and experience the Brand and product through an engaging experience. In 2022, the digital world, combined with the physical world, enabled the development of innovative, engaging and quality experiences, including: the exclusive gifting service made with regenerated and upcycled materials available to loyal customers; the involvement of a stylist for the remote presentation of the collection and creation of dedicated looks for customers; the development of digital and non-digital experience activities, such as wine tasting, private tours of Ferragamo spaces, like Palazzo Feroni, the Archive and Manovia, and the concierge service that involves the delivery of products to the customer, offering them the possibility to try the products at home, in complete safety.

Also in 2022, a new stage in the digital brand experience innovation journey was introduced: on the occasion of the preview of Maximilian Davis' debut collection, "World of Ferragamo" – an interactive space where users can experience the collection through 3D products in a gaming environment – was launched. The preview of the collection was also celebrated in 17 of the Group's stores which, for the occasion, enjoyed new fit-outs and colors and hosted exclusive events for selected customers.
The experiences continued in the real world, with the organization of customer-oriented events such as the one held in New York for the opening of the new Soho store. Here, real and digital came together through the use of NFTs, given away to customers, and personalization services.

For the Group, the integration of the digital world into the customer relationship completes the brand experience, offering the possibility to enrich the knowledge of the Brand in an effective and experiential way. For this reason, in 2022, Salvatore Ferragamo signed a partnership with FARFETCH to further accelerate the Brand's digital capabilities and create new engaging shopping experiences for the younger segments: Millennials and Gen Z. Furthermore, with a focus on further improving the online experience and meeting the expectations of increasingly digital customers, in 2022 the Group introduced additional innovative payment methods in some geographic areas, such as Apple Pay in Europe and the United States and installment payment in partnership with Klarna in Europe.

With a view to customer engagement and with the intention of hosting, nurturing and supporting the continuous exchange around the issues of sustainability, inclusiveness and cultural support, in 2021 Sustainable Thinking was also launched, a new digital platform integrated within the Brand's eCommerce website. The platform offers thematic insights that embrace all-around sustainable thinking, where new ideas on responsible projects and activities come to life, also thanks to an international network of contributors with different levels of sensitivity and experiences, ready to harmoniously address the continuous evolution of sustainable issues: from social justice to sustainable supply chains, from climate change to innovative materials with a low environmental impact. Various personalities were invited to express their views on the changes and innovations that the planet is undergoing today. Moreover, on the Sustainable Thinking digital platform, Ferragamo wanted to give visibility to specific insights into the responsible products included in the Brand's collections, also engaging in dialog with the Group's suppliers, with the intent of sharing stories of innovation and circularity that are characteristic of Made in Italy.

The theme of sustainability has also found space on the *sustainability.ferragamo.com* website, where social and environmental sustainability initiatives, commitment to the community and territory, and challenging goals for the future accompany the public on a journey through tradition and innovation, to discover Ferragamo's deeply rooted sustainable culture. The experience on this website has been made inclusive and global, thanks to the optimization of the website for all devices and its availability in 8 languages.

DIGITAL INITIATIVES

Digital initiatives have also involved social media, the use of which fosters further customer engagement and ensures a comprehensive Brand experience. In 2022, several digital initiatives were launched on major platforms, such as Instagram, Facebook, Twitter, Pinterest, YouTube, Weibo, WeChat, LINE and TikTok, with a focus on strengthening the brand and product identity through creativity and diversity. During the year, with the launch of the new branding strategy, each platform was leveraged to its full potential to create engaging dialog through products, events, fashion shows and exhibitions.

The presence of the Salvatore Ferragamo Group in social media - follower growth (2022 vs 2021)

Instagram	+13.4%
YouTube	+5.9%
Weibo	+21.1%
WeChat	+24.6%
LINE	+219.0%
LinkedIn	+12.9%

ANTI-COUNTERFEITING

Over the years, the Salvatore Ferragamo Group has implemented a series of online and offline anti-counterfeiting measures to protect its customers and the value of its trademarks. During 2022, not only the protection measures against online counterfeiting were enhanced, through the adoption of new technologies for the automatic recognition of fakes sold online, but also the proactive control and monitoring of online sales of counterfeit items on platforms around the world, through partnerships with specialized providers in the online sector.

Following the Group's enhanced security measures and monitoring activities, approximately 29,612 illegal profiles were removed from major social media platforms globally, together with nearly 61,210 advertisements and postings concerning counterfeit goods. Moreover, 212 illegal websites were reported. To further strengthen the controls relating to illegal online activities, in 2019 Ferragamo started a direct relationship with Amazon, also with the opportunity to become a member of the "Brand Protection Advisory Council", made up of ten other luxury brands, whose goal is to proactively analyze the online prevention and protection tools, developed by Amazon and aimed at countering violations on the digital platform.

Still in 2022, the Group continued to maintain a firm commitment to carry out controls also on physical markets of interest globally through various in-court and out-of-court proceedings, both civil and criminal, focusing its efforts on one of the regions where counterfeiting is most widespread, namely China. In this country, also thanks to the cooperation with law enforcement authorities, approximately 21,892 counterfeit Ferragamo-branded products were seized in 2022, compared to a total of 89,580 products seized worldwide.

This sustained commitment underlines how the protection of intellectual property is a priority for Ferragamo and how the Group is actively pursuing the fight against counterfeiting with a great deal of awareness and determination.

As part of the initiatives promoted in favor of customers, the Group uses the Authenticity Tag system, which protects the consumer that purchases a genuine and Made-in-Italy Ferragamo product, preventing and limiting counterfeiting. This traceability project consists in the implementation and adoption of an NFC (Near Field Communication) solution to uniquely identify Ferragamo products. NFC is a radio-frequency technology based on a chip, which stores the data, and an antenna capable of transmitting them once solicited by a reader, using radio waves. The combination of chip and antenna is the so-called Tag. The radio signals sent by the RFID tag can be read through the most popular smartphones (equipped with a reader). The RFID Tag is embedded into the product at the end of the manufacturing process and activated following a quality control check. It cannot be counterfeited, as it is based on a unique identifier certified and assigned by a manufacturer. Furthermore, it allows to encrypt or protect the data on it with a password as well as read it from a distance of only a few centimeters. Industry insiders can also access an application that reads some of the data stored in the Tag, such as the serial number, the manufacturer number, and the collection the product is part of. The Group has gradually expanded the scope of the project in recent years, and the Tag is currently embedded into 52% of Ferragamo products. In particular, with the exception of some models, the Tag is included in all leather products as well as on men's and women's t-shirts.

5.4 Connection with the local communities

After twelve years in the United States, in the summer of 1927 Salvatore Ferragamo returned to Italy and decided to set up his business in Florence, enraptured by the beauty of the Tuscan capital and fascinated by the skill of the local craftsmen. Since then, the link with the city of Florence has remained unbroken and has been strengthened through the Company's support for significant restoration projects and numerous charitable initiatives for many local causes. In addition to the Group's direct commitment to making a positive contribution to the area in which it operates, the activities of the Fondazione Ferragamo and the Museo Salvatore Ferragamo are also part of this context.

LINK WITH FLORENCE AND TUSCANY

Right from the start of his business, Salvatore Ferragamo sensed the close relation between the world of fashion and the world of art: a link of constant research, creativity and expression. The relationship with art, with the city of Florence and its entire territory has always been part of the DNA of the Brand that, over the years, has increased its dedication to promoting and safeguarding the Italian and Florentine artistic and cultural heritage, also through intense patronage of the arts. In this perspective, in 2019 the Company entered into an agreement with the City of Florence for the restoration of the major sculptural works in Piazza della Signoria and the bronze copy of David in Piazzale Michelangelo. The agreement, which continued throughout 2022, provides for the restoration of the equestrian statue of Cosimo I de' Medici by Giambologna in Piazza della Signoria, the Hercules and Cacus by Baccio Bandinelli and the copy of Michelangelo's David at the entrance to Palazzo Vecchio, the copy of Judith and Holofernes on the "Arengario" platform of Palazzo Vecchio and the bronze copy of David at Piazzale Michelangelo.

Moreover, in 2022, the multi-year agreement stipulated in 2021, with the Educandato Statale SS. Annunziata boarding school for the restoration of the Salone delle Feste (ballroom) in the Villa del Poggio Imperiale continued. The restoration works started during the year and will continue throughout 2023.

Over the years, Salvatore Ferragamo S.p.A.'s charitable contributions allowed to restore the Fountain of Neptune in Piazza della Signoria in Florence, which was returned to its ancient splendor by a careful and thorough process of cleaning the marble, restoring the bronzes and reactivating the water system that feeds the majestic water features. They also allowed to reopen 8 rooms of the Uffizi Gallery, containing approximately fifty major works of art from 15th-century Florence, as well as to renovate Florence's Colonna della Giustizia in Piazza Santa Trin-

ità and Santa Trinità Bridge and curate the exhibition of Leonardo's Saint Anne painting, usually on display at the Louvre Museum in Paris. In addition, the Company helped preserve Florence's cultural heritage by participating in the British Institute of Florence's fundraising campaign for the renovation of the Harold Acton Library located in Lungarno Guicciardini and supported the renovation of the Campatelli Tower-House, a mid-12th century architectural masterpiece owned by Fondo Ambiente Italiano (FAI, Italy's National Trust) and located in San Gimignano.

GROUP CHARITY POLICY

Founded on the deep-rooted values of family and community, the Group defined and adopted a Charity Policy to make several donations to charity initiatives promoting Italy's culture across the world as well as the health of women and children. The purpose of this policy is to provide a reference framework, for all Group subsidiaries, to be followed in defining donations, gifts and any participation in charitable associations, foundations and non-profit organizations. This process facilitates stronger governance and a new approval process, in order to coordinate more effectively charitable actions at an international level.

COMMITMENT TO WOMEN'S AND CHILDREN'S HEALTH

In line with its commitment to protecting the health of women and children, in 2020, an important five-year collaboration project was launched with the Meyer Foundation of the Meyer Children's Hospital in Florence, an outstanding center for pediatric research and treatment. The collaboration envisages the Company's support for the Hospital's screening activities and expansion plan. Following the presentation in 2021 of the first goals achieved thanks to the funds disbursed and allocated to the development of scientific research and technological development of the Children's Hospital, in 2022, the support continued in the pediatric orthopedics and traumatology area, a division specialized in the treatment of diseases of the musculoskeletal system of growing children. In 2023, the purchase of an advanced technology machine that combines 2D and 3D capabilities to enable greater intraoperative control and reduce the need for postoperative scans and corrective surgeries will be finalized.

In September 2022, a new edition of Corri la Vita was held in Florence, a fundraising event aimed at contributing to the creation and qualification of national health facilities specializing in the treatment of breast cancer through psychological support, physical and social rehabilitation, prevention, training, and palliative care. After two years impacted by the Covid-19 pandemic, the event returned to the streets of the city of Florence and celebrated the 20th anniversary since its foundation. The event saw the involvement of the whole region, with routes diversified by degree of difficulty and cultural destinations scattered throughout the city and its surroundings. Salvatore Ferragamo was once again one of the event's main sponsors, donating around 30,000 T-shirts. Thanks to the significant participation of Ferragamo employees, the Company also received the award as one of the largest groups to have purchased the t-shirts. The funds raised in 2022 were allocated to the EVA project that will involve the whole Florence area (Florence, Prato, Empoli, and Pistoia) in the fight against breast cancer and assistance to cancer patients; in addition to this, it also cooperated with Florence's LILT (the Italian League for the Fight against Cancer) to support the Ce.Ri.On. (ISPRO-LILT Cancer Rehabilitation Center in Villa delle Rose), FILE (Italian Foundation for Palliative Care) and SenoNetwork Italia Onlus, a portal that brings together the Italian Breast Units. In line with previous years, the Salvatore Ferragamo Museum participated in the initiative by granting free admission to all participants for the entire day, recording more than 1,500 entries.

Again with a view to supporting and collaborating with hospitals, in June 2022 the Company concluded a project which involved the creation of 2,000 drainage bags to be donated to patients at the Careggi Hospital who had undergone breast surgery. The initiative was organized in collaboration with the internal divisions and a manufacturer with ties to the Company, to which a selection of slow-moving fabrics was provided for the production of the bags. The donations were entrusted to the AUSL Toscana centro, the Careggi Onlus Foundation and Casa di Cura Villa Donatello.

In line with its Charity Policy, during the year Salvatore Ferragamo was able to support CoorDown ODV (the National Coordination of Associations of People with Down Syndrome) on several occasions. CoorDown has been focused on the protection of the rights of individuals with Down syndrome since 1987, promoting their inclusion in school, work, sports and social life. Among other support and collaboration initiatives, Salvatore Ferragamo has allocated the funds saved from not printing the 2022 Christmas cards to CoorDown, to support the Association in training projects linked to the "JustTheTwoOfUS" international campaign, launched on the occasion of World Down Syndrome Day 2022 to promote the right of people with Down syndrome to have a romantic relationship and an independent sex life.
In 2022, Salvatore Ferragamo supported and played host to numerous groups in its company space for fundraising initiatives, including: Trisomia 21 Onlus, Fàedèsfa Onlus, an association that helps children with rare genetic disorders, AISM - the Italian Association for Multiple Sclerosis - and the AIRC Foundation for Cancer Research.

With a view to female empowerment, the Company has launched an important collaboration with the "Ethical Fashion Initiative" (EFI), a United Nations program that aims to reduce poverty by promoting the creation of sustainable and fairly paid jobs for artisans who come from disadvantaged communities. Salvatore Ferragamo has decided to financially support the project promoted by the EFI in Burkina Faso for the next three years. The partnership aims to improve the social and economic conditions of women in Burkina Faso. The Company has made a donation to Manusa Cooperativa Sociale for the purchase of tools and equipment for the spinning and dyeing processes, which will allow a community of 2,400 women to work, receiving a living wage and concrete support in building their identities.
The partnership also provides for the continuous inclusion in the collection of fabrics made by the women of the community.

The Ferragamo Group has joined the Italian Chamber of Fashion (CNMI – Camera Nazionale della Moda Italiana) in supporting UNHCR to provide concrete aid to the humanitarian crisis linked to the war in Ukraine. The Group's donation has contributed to providing around 1,800,000 people in Ukraine with basic humanitarian aid and services to protect those who are most vulnerable.

2022 was still a year affected by many restrictions and local lockdowns in different parts of the world, which made it difficult to organize volunteer events. Nevertheless, the Company's social commitment continued not only in Italy, but also in numerous other areas where the Salvatore Ferragamo Group operates. In Korea, for example, the Group made a donation to support "Good Neighbors Korea", a non-profit association that develops projects focused on promoting and protecting children's rights.

In North America, a number of entities received support, including the American Italian Cancer Foundation and the Statue of Liberty Ellis Island Foundation, Unicef, AmfAR and Saks Fifth Avenue Foundation, whose mission is to make mental health a priority in every community by promoting understanding and improving access to care.
In Japan, the Group supported the project to renovate the internal gardens of the Italian Embassy in Tokyo, promoting the local culture through the donation of a traditional Japanese wooden boat. Additional donations were made to the Italian Chamber of Commerce, the Tokyo Chamber of Commerce and other local associations.
In Taiwan, the Group repeated, in line with previous years, the important initiative of Christmas gifting for less fortunate children who live in remote areas, involving employees in the creation of "Christmas Boxes" with gifts of various kinds inside. A garage sale initiative was also organized, in which all employees took part, with proceeds going to the children of an orphanage.
Lastly, awareness days and initiatives on sustainability issues were organized in Taiwan and in other Group offices during the year, to highlight the impact that our actions and behaviors can have on the environment and on people.

As can be seen from the many activities that the Group implements every year, the support and development of local communities are key objectives: as evidence of this commitment, it should be noted that over the years the Group has always endeavored to limit the risk of generating actual or potential negative impacts on the community.

5.5 Museo Salvatore Ferragamo and Fondazione Ferragamo

The strongest evidence of our commitment towards culture and participation is the Museo Salvatore Ferragamo and the Fondazione Ferragamo, which pass on the Company's heritage in the local community through several activities.

MUSEO SALVATORE FERRAGAMO

The Museo Salvatore Ferragamo, established in 1995 inside the Group's historic headquarters by Wanda Miletti Ferragamo and her six children, is primarily aimed at holding temporary exhibitions, but is also involved in organizing conferences, conventions and workshops for children, the latter in collaboration with the Fondazione Ferragamo. The Museum also aims to reach an ever-wider audience by spreading the history and culture of the Brand throughout the local community.

In particular, the Museo Salvatore Ferragamo intends to represent the Group by exhibiting its most significant items, passing on its history in full compliance with the Brand's identity and creating an ever-greater sense of belonging through relations with other institutions such as schools, universities, associations and cultural bodies.

Since the mid-nineties, the Museum has conceived and organized many initiatives and exhibitions with the aim not only to narrate the history of the Founder, but also of demonstrating the Company's openness and interest in the latest and most significant trends of the contemporary world which, from art, design, entertainment, costume, communication and information, extend their influence to the style and forms of dressing and living.

In May 2022, the Museum inaugurated the "Women in balance" exhibition project which, honoring the memory of Wanda Miletti Ferragamo – at the helm of the Brand from 1960 to 2018 – examining the complex reality of women in Italy between the 1950s and 1960s. It was precisely at this time that Wanda Ferragamo changed her life by deciding, after the death of her husband, to take over the reins of the Company, transforming it from an artisan women's shoes atelier, as it was at that time, into a fashion house that dressed women from head to feet. The exhibition itinerary tells the story of other women who, like Wanda, combined the affirmation of their personality with family ties. Through objects, clothes, works of art, film and photographs, the exhibition depicts the activities and choices of women of different ages, in working environments until then reserved almost exclusively for men.

The exhibition is completed with another digital exhibition project, created in collaboration with the Fondazione Ferragamo and the "Arts Curating" course offered by the Istituto Marangoni in Florence, in which works and testimonials from eleven international artists were collected and commented, in a choral reflection on the theme of identities, the central subject of our contemporary condition. The exhibition, like all the Company's cultural events, obtained ISO 20121:2012 certification, which establishes a Management System prerequisite for the sustainable organization of events.

Moreover, thanks to the "Women in balance" exhibition, the Company was awarded the first Corporate Heritage Awards 2022 in the "narration through events" section. The award aims at turning the spotlight on companies that have distinguished themselves for their commitment to enhancing and communicating their historical and cultural heritage.

The Museum constantly cooperates with many institutions, associations, schools and universities throughout Italy, taking part in cultural events and sometimes offering reduced-price entry tickets to the Museum and organizing special tours.

In 2022, the Group continued working together with leading Italian cultural institutions such as Museimpresa (the Italian association of corporate archives and museums), the Portal of the 20th Century Fashion Archives, a platform created in 2011 at the State Archives in Rome, ANAI (the Italian National Association of Archivists) and Europeana Fashion, the European digital library to which the Salvatore Ferragamo Group submitted more than 1,000 records of historic footwear. The Museo Salvatore Ferragamo is part of ICOM (International Council of Museums), the most important and prestigious international organization for museums and museum professionals.

As a member of Musei d'Impresa – the Italian Association of Corporate Archives and Museums – in November 2022 the Museo Salvatore Ferragamo took part in the Week of Business Culture, the series of events promoted by Confindustria that, through meetings, workshops, films and guided tours, informed visitors about the huge cultural heritage safeguarded in the museums and archives of Italian companies.

In 2022, the Museum once again took part in ApritiModa, a project that for one weekend a year allows the public to visit and discover the most hidden and secret places in the world of fashion and Made in Italy. During the event, the Museo Salvatore Ferragamo opened its doors to participants with organized visits.

Finally, every year the Museum renews its collaborative relationship with the main fashion universities in the Florence area and across the national territory. Thanks to relationships consolidated over time, the Museum is also part of the education programs offered to primary and secondary schools, thus ensuring an increasingly high number of young students. Two events dedicated to children and young generations were also held in 2022: F@MU – The National Day of Families at the Museum and Florence for Children. For the two events, the Museo Salvatore Ferragamo, in collaboration with the Fondazione Ferragamo, welcomed young visitors on special educational visits, in Italian and English, supported by a book published by the Fondazione Ferragamo.

As part of the cultural activities organized by the Museum and the Foundation, a new training project offering a series of lectures to educational institutions was introduced. The initiative, launched on the occasion of the 21st Corporate Culture Week, includes two courses, organized into various training "workshops". The goal is to engage young students by offering them, through the promotion of the Brand's founding values, an education that complements their schooling and can be an inspiration for their future.

SALVATORE FERRAGAMO ARCHIVE

The history of the Ferragamo family, as well as all the Company's Heritage, is preserved in the Salvatore Ferragamo Archive, since 2013 under the management of the Ferragamo Foundation and dedicated to Fiamma Ferragamo, the Founder's daughter. All Archive material is kept in a single space at the Osmannoro site in Florence.
The Salvatore Ferragamo Archive, which includes shoes, garments, bags and other accessories, documents and photographic material, stretchers, historical leathers and works of art, represents the memory of the entire corporate culture, codes, values and identity of the Brand, and is a continuous source of inspiration for designers and marketing managers involved in the development of new products and communication campaigns. To this end, an area dedicated to the search and consultation of archival materials, catalogs and journals has been created in the Archive space.
The Foundation, in collaboration with various corporate functions, organizes guided tours of the historical Archive and of the underlying footwear production department. The visits are offered to new hires, designers of the creative departments, collaborators, selected guests, schools and students of the sector who collaborate with the Company.

The Salvatore Ferragamo Archive in figures

Over
14,700
Shoe models

Over
1,500
Bags

Over
5,000
Garments

Approx.
5,600
Ties

Approx.
630,000
Data sheets

FERRAGAMO FOUNDATION

On 15 March 2013, the Ferragamo Family set up the Fondazione Ferragamo in Florence to promote the values of craftsmanship and Made in Italy as well as to invest in the education and training of those seeking a career in the world of fashion, design, and the most elegant and artistic forms of Italian craftsmanship, in keeping with the values and style of Salvatore Ferragamo's works. The Foundation intends to promote knowledge and recollection of Salvatore Ferragamo's work and personality in order to enhance and disseminate them and to let the global audience learn of his artistic qualities and of the role he played in the history not only of shoemaking, but also of international fashion.

To achieve these goals, the protection and enhancement of the historical Archive managed by the Foundation is crucial.

In recent years, the Ferragamo Foundation has begun a digitalization process of all the material in its Archive through a database capable of collecting extremely heterogeneous information and data.
Moreover, thanks to the massive cataloging process developed in 2019, the process of uploading articles mentioning the Company and the Group directly in the software was made automatic by automatically creating a cataloging record with information and attached files. The interface created allowed more than 13,000 new press review records to be imported in 2022.

Education and training are some key objectives around which the Foundation plans its work. Among other initiatives, the Fondazione Ferragamo hosts "Ideas and creativity workshops" for children, teenagers and adults dedicated to craftsmanship, fashion, and design.

In 2022, the Fondazione Ferragamo took part in School-Work Alternation projects dedicated to secondary schools. The students were welcomed at the Foundation's headquarters and had the opportunity to learn about the management of a company archive, to contribute to its implementation and to acquire real extracurricular skills. Two projects have been completed: one with Istituto Tornabuoni Cellini in Florence and the other with Liceo Artistico Statale Porta Romana in Florence.

Still in the field of education and training, in 2022 the Fondazione Ferragamo once again collaborated on ITS – International Talent Support, one of the world's most authoritative contests for emerging talents in fashion involving every year hundreds of young people from all around the world. The Foundation sponsored the 2022 edition, introducing a special prize dedicated to the footwear category. The winning designer, who presented a collection of sneakers developed from 100% recycled materials, was offered a cash scholarship and the chance to do an internship in the Company's creative departments.
In 2022, the collaboration under the agreement signed between the Fondazione Ferragamo and SOS – School of Sustainability, the post-graduate academy for the training of sustainability professionals in the social, economic and environmental fields, continued. In 2022, the students were guided in a research project aimed at designing a new generation of Ferragamo pop-up stores and temporary stores, capable of enhancing the Brand's identity from a responsibility and sustainability perspective. The results of the project were presented at the international furniture exhibition Salone del Mobile in Milan.

Starting from 2022, the Fondazione Ferragamo has become part of the WE-H project, promoted by the Academia for a Better World, the Université Paris-Saclay and sponsored by UNESCO. The WE-H platform aims to reduce the global education gap, further aggravated by the health crisis caused by the Covid-19 virus. The partnership aims to create a link between Salvatore Ferragamo's historic-artistic heritage and the talent potential of the younger generations living in highly unstable environments or in disadvantaged regions of the world.

Finally, in 2022, the Foundation collaborated on the "Blogs & Crafts" contest for young artisans and bloggers, promoted by the Florentine event "Artigianato e Palazzo", which in 2022 was in its ninth edition. The initiative supports the new generations of artisans and increases online and social media visibility, to create a productive combination of "doing" and "communicating" skills. For the occasion, the Foundation held educational workshops for the entire duration of the event and organized a guided tour of the Archive for the young designers who were selected by the contest.

6. EU TAXONOMY

INTRODUCTION

Regulation (EU) 2020/852 (hereinafter the "Taxonomy Regulation") introduced the EU Taxonomy framework into the European regulatory system, with the aim of defining the conditions under which certain economic activities can be considered "environmentally sustainable" and stimulating transparency in relation to the initiatives put in place to promote the ecological transition, including through the adoption of sustainable financial models.
In line with the provisions of Article 8 of the Taxonomy Regulation, the Salvatore Ferragamo Group (hereinafter referred to as the "Group") is subject to the obligation to include within its NFS, drawn up pursuant to Legislative Decree no. 254/2016 in transposition of the relevant European legislation, a specific disclosure on how and to what extent the Company's activities are associated with economic activities considered to be "environmentally sustainable" pursuant to Articles 3 and 9 of the same Taxonomy Regulation.
The Taxonomy Regulation and the additional Delegated Regulations (EU) 2021/2178 and (EU) 2021/2139 provide that, for the 2022 reporting period, companies subject to the aforementioned obligations must communicate a set of information relating to economic activities considered eligible[19] or non-eligible[20] for the purposes of the EU Taxonomy (hereinafter also referred to as "Eligible Activity", and "Non-eligible Activity") as well as to activities aligned to the EU Taxonomy ("Aligned Activity")[21], in other words that comply with the technical requirements defined by the legislation, that do not cause significant damage to any of the environmental objectives and that are carried out in compliance with the minimum safeguards envisaged.
In particular, for the 2022 reporting year, the Taxonomy Regulation and the other regulatory elements connected to it require the disclosure of the proportion of turnover, CapEx and OpEx considered eligible and aligned. As such, as at the date of publication of this NFS, in line with the previous year, only information related to economic activities that are considered to be able to contribute substantially to two of the six environmental objectives defined by Article 9 of the Taxonomy Regulation are available: Climate Change Mitigation and Climate Change Adaptation. Therefore, the Group has carried out specific analyses useful for assessing the degree of eligibility and alignment, in line with what was mentioned above, taking into account the economic activities described in the reference documentation available to date.

ANALYSIS OF ELIGIBLE ACTIVITIES

In order to comply with the aforementioned requirements, the list of economic activities included in the reference documentation for the two objectives of Climate Change Mitigation and Climate Change Adaptation were examined, for which the reference technical documentation is available at the date of publication of this document, comparing them with those of the Group, both by comparison of the respective NACE/ATECO[22] codes and by comparison of the substantial description of the activities.
Based on the interpretation of the requirements applicable to date, the Group has assessed that its main activities are not included among those currently identified by the reference legislation for the two climate change objectives referred to above. As a result, they are not considered eligible – and therefore not aligned – as of the date of drafting this document.

[19] Economic activity described in the delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852, regardless of whether that economic activity meets one or all of the technical screening criteria set out in the aforementioned delegated acts.
[20] Economic activity not described in the delegated acts adopted pursuant to Article 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) of Regulation (EU) 2020/852.
[21] Economic activity that meets the requirements set out in Article 3 of Regulation (EU) 2020/852, i.e., that simultaneously meets the following requirements: a) contributes substantially to one or more of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852; b) does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17; c) is carried out in compliance with the minimum safeguards laid down in Article 18; and d) complies with technical screening criteria that have been established by the Commission in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2).
[22] NACE: abbreviation for the Statistical Classification of Economic Activities in the European Community, a classification used in national accounts schemes by the Statistical Office of the European Union (Eurostat) and accepted by the statistical offices of the member countries. ATECO: Italian equivalent of NACE, classification adopted by the Italian National Institute of Statistics (ISTAT).

This assessment focused on the Group's main economic activities, linked to the manufacture and marketing of clothing, footwear and accessories. The residual activities of leasing owned properties and sub-leasing of leased properties, entirely attributable to the Ferragamo USA Group, were excluded from this analysis, as they are considered marginal and not a substantial expression of the Group's activities.
In light of these considerations, the KPIs provided for by the Taxonomy Regulation were calculated, developing a preliminary analysis that also took into account investments and operating expenses related to the purchase of output from Taxonomy-aligned economic activities and/or individual measures enabling greenhouse gas reductions.

METHODOLOGY FOR CALCULATING THE KPIs PROVIDED FOR BY THE TAXONOMY REGULATION

The Group carried out an analysis of turnover, investments and operating expenses related to the 2022 financial year, for the calculation of the KPIs required pursuant to the Taxonomy Regulation and the additional applicable regulatory references[23], as described below.

TURNOVER[24] KPI:

For the calculation of the turnover indicator, the consolidated net turnover was considered for the denominator, in accordance with IAS 1.82(a). As for the numerator, based on the above considerations and on the interpretation of the Taxonomy Regulation, no proportion of turnover generated by the sale of goods or services related to economic activities considered eligible, and therefore not aligned, in relation to the Climate Change Mitigation and Climate Change Adaptation objectives was identified as of the date of publication of this NFS.

CAPEX[25] KPI:

For the calculation of the Capital Expenditure (CapEx) indicator, in the denominator, in line with the provisions of the applicable legislation, the increases in property, plant and equipment, investment property, right-of-use assets, and intangible assets with a finite useful life (net of decreases in tangible and intangible assets in progress) that occurred during the year were considered, before depreciation/amortization and any revaluations, including those resulting from restatements and impairments, for the year in question, and excluding changes in fair value. In particular, the denominator includes any acquisitions of property, plant and equipment (IAS 16), intangible assets (IAS 38), investment property (IAS 40) and right-of-use assets (IFRS 16).
As far as the numerator is concerned, increases in fixed assets in line with the Group's interpretation of the Taxonomy Regulation and the additional regulatory references were considered eligible. The increases in fixed assets related to the purchase of outputs from Taxonomy-eligible economic activities and/or related to measures enabling greenhouse gas reductions have thus been considered. These mainly include investments made for energy efficiency and the reduction of energy consumption of buildings and stores, for the installation of charging stations for electric vehicles and for the renewal of the company fleet with hybrid and/or electric vehicles. As a result, the remaining part of property, plant and equipment, intangible assets and right-of-use assets considered in the denominator were deemed non-eligible.

[23] The analysis and methodology for calculating the KPIs were carried out with particular reference to the interpretation of the information defined by Annex I of the "Delegated Regulation (EU) 2021/2178 of the European Commission of 6 July 2021, which supplements Article 8 of Regulation (EU) 2020/852 and the "Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of eligible economic activities and assets" document published on 2 February 2022.
[24] The financial data included in this KPI correspond to the Group's net revenues shown in the Annual Report as at 31 December 2022: Consolidated Financial Statements, note 31 of the Consolidated Financial Statements.
[25] The financial data included in this KPI correspond to the increases in fixed assets shown in the 2022 Annual Report: Consolidated Financial Statements, notes 5, 6, 8 and 9.

OPEX[26] KPI:

For the calculation of the Operating Expenditure (OpEx) indicator, in the denominator, in line with the provisions of the applicable legislation, all non-capitalized direct costs related to research and development, building renovation measures, short-term leases and variable lease payments, maintenance and repair, and any other direct expenditures relating to the ordinary maintenance of property, plant and equipment – either by the company or by third parties to whom activities are outsourced – necessary to ensure the continued and effective operation of such assets were taken into account. Expenses related to the day-to-day operation of property, plant and equipment such as raw materials, cost of employees using the machine, electricity or fluids needed for the operation of such assets were not included.

As far as the numerator is concerned, the costs included in the denominator related to the purchase of output from Taxonomy-eligible economic activities and/or individual measures enabling greenhouse gas reductions were considered eligible. In particular, the costs related to energy efficiency and reducing the energy consumption of buildings and costs for short-term contracts for the corporate fleet of hybrid and/or electric vehicles were included. Consequently, the following were considered as non-eligible: the remaining part of costs included in the denominator.

ANALYSIS RESULTS

In view of the analysis carried out, summarized in the previous points, based on the current interpretation of the applicable legislation, the Group calculated, with reference to the year ended 31 December 2022, the proportion of turnover, capital expenditure (CapEx) and operating expenditure (OpEx) related to economic activities currently considered to be eligible with reference to the defined Climate Change Mitigation and Climate Change Adaptation objectives[27], and were considered 0% aligned net of some CapEx and OpEx of negligible amount[28].

In the Group's interpretation, these results exclusively reflect that the activities carried out by the Group do not appear to be prevalent and, in the light of the analyses carried out, eligible in relation to the economic activities currently included in the reference technical documentation linked to the Climate Change Mitigation and Climate Change Adaptation objectives as defined by the reference legislation. Further insights will be made and communicated in line with the progressive evolution of Regulation (EU) 2020/852, with particular reference to the additional delegated acts for the remaining environmental objectives.

For more details relating to the Group's environmental commitment, with particular reference to the science-based targets (SBTs) defined for carbon footprint reduction, please refer to section 4.3 "Climate change and emissions monitoring" of the NFS.

[26] The financial data included in this KPI are included in the consolidated operating costs shown in the 2022 Annual Report: Consolidated Financial Statements, notes 33 and 34.

[27] For the calculation of the KPIs reported above, the potential double counting in the allocation to the numerator of Turnover, CapEx and OpEx was avoided through the use of financial information, as accounted for in the Consolidated Financial Statements as at 31 December 2022. Moreover, each CapEx or OpEx identified has been linked to the primary economic activity included in the Climate Delegated Act and therefore each item has not been considered more than once.

[28] For more details, please refer to the Annex "Taxonomy - Key Performance Indicators (KPIs)" as required by Annexes II of Delegated Regulation (EU) 2021/2178.

7. ANNEXES

Breakdown of employees by employment contract, gender and geographic area[29]

2022									
	Temporary contracts			Permanent contracts			Non-guaranteed hours		
No. of people	Men	Women	Total	Men	Women	Total	Men	Women	Total
Parent company	17	35	52	377	511	888	0	0	0
Europe	11	21	32	93	176	269	0	0	0
North America	28	31	59	256	251	507	0	0	0
Central and South America	2	6	8	121	101	222	0	0	0
Asia Pacific	4	23	27	281	1,075	1,356	10	41	51
Japan	1	17	18	87	254	341	0	0	0
Total	**63**	**133**	**196**	**1,215**	**2,368**	**3,583**	**10**	**41**	**51**

Breakdown of employees by employment contract, gender and geographic area[29]

2021						
	Temporary contracts			Permanent contracts		
No. of people	Men	Women	Total	Men	Women	Total
Parent company	10	21	31	368	514	882
Europe	17	34	51	100	177	277
North America	29	36	65	248	244	492
Central and South America	6	4	10	120	94	214
Asia Pacific	12	43	55	287	1,149	1,436
Japan	4	20	24	87	263	350
Total	**78**	**158**	**236**	**1,210**	**2,441**	**3,651**

[29] The data relating to employees with non-guaranteed hours for the Salvatore Ferragamo Group is only available for the year 2022, as in 2021 the breakdown of employees by type of contract was only available for temporary and permanent contracts.

Breakdown of employees by professional category and gender

	2022			2021		
No. of people	Men	Women	Total	Men	Women	Total
Full-time	1,226	2,319	3,545	1,221	2,338	3,559
Part-time	62	223	285	67	261	328
Total	**1,288**	**2,542**	**3,830**	**1,288**	**2,599**	**3,887**

Breakdown of employees by type (headquarters and retail), age group and gender

	2022							
	<30		30-50		>50		Total	
No. of people	Men	Women	Men	Women	Men	Women	Men	Women
Headquarter	29	90	316	483	146	182	491	755
Retail	215	341	496	1,251	86	195	797	1,787
Total	**244**	**431**	**812**	**1,734**	**232**	**377**	**1,288**	**2,542**

Employees who received a performance assessment, broken down by occupational classification and gender

	2022			2021		
Percentage	Men	Women	Total	Men	Women	Total
Managers (of which top managers, middle managers and store managers)	98.3%	96.2%	97.0%	98.3%	96.0%	96.9%
White collars	71.6%	83.0%	79.7%	95.7%	93.5%	94.1%
Blue collars	91.7%	96.3%	93.4%	99.4%	97.9%	98.9%
Total	**80.5%**	**85.8%**	**84.0%**	**96.8%**	**94.1%**	**95.0%**

Incoming Employees - 2022

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	22	36	29	39	6	9	57	84	14.5%	15.4%
Europe	26	54	27	46	0	1	53	101	51.0%	51.3%
North America	83	81	63	75	9	15	155	171	54.6%	60.6%
Central and South America	18	15	28	29	1	3	47	47	38.2%	43.9%
Asia Pacific	98	180	77	209	2	21	177	410	60.0%	36.0%
Japan	1	11	18	35	1	7	20	53	22.7%	19.6%
Total	**248**	**377**	**242**	**433**	**19**	**56**	**509**	**866**	**39.5%**	**34.1%**

Outgoing Employees - 2022

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	7	19	21	47	13	7	41	73	10.4%	13.4%
Europe	30	44	34	59	2	12	66	115	63.5%	58.4%
North America	69	69	62	70	17	30	148	169	52.1%	59.9%
Central and South America	18	3	31	33	1	2	50	38	40.7%	35.5%
Asia Pacific	81	171	98	263	2	29	181	463	61.4%	40.6%
Japan	2	12	16	41	5	12	23	65	26.1%	24.0%
Total	**207**	**318**	**262**	**513**	**40**	**92**	**509**	**923**	**39.5%**	**36.3%**

Incoming Employees - 2021

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	5	15	24	45	4	7	33	67	8.7%	12.5%
Europe	28	34	24	42	0	11	52	87	44.4%	41.2%
North America	50	48	54	44	10	10	114	102	41.2%	36.4%
Central and South America	7	12	21	22	1	0	29	34	23.0%	34.7%
Asia Pacific	82	192	76	226	3	13	161	431	53.8%	36.2%
Japan	3	8	13	31	0	5	16	44	17.6%	15.5%
Total	**175**	**309**	**212**	**410**	**18**	**46**	**405**	**765**	**31.4%**	**29.4%**

Outgoing Employees - 2021

	<30		30-50		>50		Total		Turnover	
No. of people	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Parent company	2	9	24	44	15	15	41	68	10.8%	12.7%
Europe	17	23	35	63	3	14	55	100	47.0%	47.4%
North America	30	33	39	41	14	16	83	90	30.0%	32.1%
Central and South America	8	4	17	14	1	0	26	18	20.6%	18.4%
Asia Pacific	78	149	73	259	2	17	153	425	51.2%	35.7%
Japan	0	11	13	45	3	7	16	63	17.6%	22.3%
Total	**135**	**229**	**201**	**466**	**38**	**69**	**374**	**764**	**29.0%**	**29.4%**

Ratio between women's and men's basic salary[30] - 2022

Basic Salary	Parent company	Europe	North America	Central and South America	Asia Pacific	Japan	Total
	Ratio of women to men 2022						
Managers	70%	100%	102%	75%	81%	73%	74%
White Collars	85%	93%	104%	105%	89%	94%	85%
Blue Collars	90%	92%	89%	87%	84%	0%	98%
Total	**70%**	**91%**	**108%**	**90%**	**82%**	**69%**	**74%**

Ratio between women's and men's total remuneration[30] - 2022

Total Remuneration	Parent company	Europe	North America	Central and South America	Asia Pacific	Japan	Total
	Ratio of women to men 2022						
Managers	59%	100%	103%	70%	79%	75%	67%
White Collars	84%	93%	104%	107%	90%	95%	86%
Blue Collars	88%	92%	89%	87%	84%	0%	97%
Total	**61%**	**90%**	**110%**	**87%**	**81%**	**70%**	**70%**

Annual direct remuneration ratio[30] 2022 - Salvatore Ferragamo Group

Direct Remuneration	Highest annual direct remuneration and median value 2022
Ratio between highest annual direct remuneration and median value	83

[30] Remuneration data were reparametrized using the Purchasing Power Parity (PPP) rate, as of 2021, provided by Worldbank. In the "Annual direct remuneration Ratio 2022," only the fixed annual remuneration was taken into account for uniformity of comparison. Therefore, variable elements of remuneration, such as lump-sum entry fees, variable bonus and long-term plans based shares, were not considered. In addition, the data concerning the "Ratio between women's and men's basic salary", the "Ratio between women's and men's total remuneration" and the "Annual direct remuneration ratio" for the Salvatore Ferragamo Group are only available for the year 2022 as it is the first year of disclosure.

Injuries (employees)

No. of cases	2022	2021
Injuries	57 (17 for men; 40 for women)[31]	38 (15 for men; 23 for women)
Work-related ill health	0	0

Health and safety indicators[32] - 2022 (employees)

	Parent company			Europe			North America		
Rates	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.6	0.6	0.6	1.5	7.1	4.1	2.8	6.9	4.4
Severity rate	28.9	23.3	25.6	0.0	559.7	257.5	5.8	201.4	82.3
Rate for recordable work-related injuries	0.6	0.6	0.6	1.5	5.3	3.3	2.8	6.9	4.4
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	1.8	0.8	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Central and South America			Asia Pacific			Japan		
Rates	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.0	1.6	0.8	0.0	0.3	0.2	0.0	1.8	1.3
Severity rate	0.0	35.2	16.7	0.0	19.7	15.7	0.0	54.3	40.1
Rate for recordable work-related injuries	0.0	1.6	0.8	0.0	0.3	0.2	0.0	1.8	1.3
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

[31] Of which 7 in Salvatore Ferragamo S.p.A., 10 in Europe, 3 in Asia Pacific, 31 in North America, 2 in Central and South America and 4 in Japan. Only 2 of the 57 injuries recorded in 2022 were classified as "severe". Work-related injuries are considered severe if they result in death or injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-injury state of health within 6 months. The injuries that occurred in 2022 are mainly related to the normal course of business such as warehouse activities.

[32] The incidence rate is calculated as the ratio between the total number of injuries (including those classified as "severe") and the number of hours worked in the same period, multiplied by 200,000. The injury severity rate is calculated as the ratio of total days lost for work-related injuries and ill health cases to total working hours during the same period, multiplied by 200,000. The rate for recordable work-related injuries is calculated as the ratio of total recordable work-related injuries (net of injuries classified as "severe") to total working hours in the same period, multiplied by 200,000. The rate for work-related injuries with severe consequences is calculated as the ratio of total injuries with severe consequences (excluding deaths and recordable injuries) to total working hours in the same period, multiplied by 200,000.
The work-related ill health rate is calculated as the ratio of total work-related ill health cases to total working hours during the same period, multiplied by 200,000.
As part of the analysis carried out during 2022 in relation to the significance of data and information regarding other non-employee workers, especially agency staff and interns, the Group recorded an injury rate of 0.0 for a total of 64 workers present as at 31 December 2022 within the Italy and Europe scope. No injuries or fatalities were reported.

Health and safety indicators[32] - 2021 (employees)

	Parent company			Europe			North America		
Rates	Men	Women	Total	Men	Women	Total	Men	Women	Total
Incidence rate	0.6	0.5	0.5	11.7	8.8	9.9	0.0	0.4	0.3
Severity rate	2.2	16.4	10.2	62.0	198.4	146.0	0.0	0.0	0.0
Rate for recordable work-related injuries	0.6	0.5	0.5	11.7	8.8	9.9	0.0	0.4	0.3
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Central and South America			**Asia Pacific**			**Japan**		
Rates	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Incidence rate	0.0	0.0	0.0	0.3	0.2	0.2	2.4	3.0	2.8
Severity rate	0.0	0.0	0.0	1.3	51.0	41.2	25.4	54.8	46.3
Rate for recordable work-related injuries	0.0	0.0	0.0	0.3	0.0	0.1	2.4	3.0	2.8
Rate for high-consequence work-related injuries (excluding fatalities)	0.0	0.0	0.0	0.0	0.2	0.1	0.0	0.0	0.0
Work-related ill health rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Tax - Country-by-country reporting[33]

EUROPE

Size	2021	2020
Number of employees - average workforce	1,107	1,052
Tax data (Amounts in thousands of Euro)	**2021**	**2020**
Revenues from third parties *	289,521	295,972
Revenues from intra-group transactions *	434,006	444,072
Tangible assets other than cash and cash equivalents	363,407	369,829
Income tax paid in the year	2,863	11,460
Corporate income taxes accrued on profits/losses**	5,642	(715)

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

NORTH, CENTRAL AND SOUTH AMERICA

Size	2021	2020
Number of employees - average workforce	670	632
Tax data (Amounts in thousands of Euro)	**2021**	**2020**
Revenues from third parties *	397,556	250,788
Revenues from intra-group transactions *	109,449	182,488
Tangible assets other than cash and cash equivalents	189,080	167,153
Income tax paid in the year	9,885	9,035
Corporate income taxes accrued on profits/losses**	2,049	7,618

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

[33] Given the sensitivity and confidentiality of tax information, GRI indicator 207-4 is reported in aggregate form and no disclosure of pre-tax profit/loss is made.

ASIA PACIFIC

Size	2021	2020
Number of employees - average workforce	1,784	1,843
Tax data (Amounts in thousands of Euro)	**2021**	**2020**
Revenues from third parties *	537,441	479,915
Revenues from intra-group transactions *	151,178	145,368
Tangible assets other than cash and cash equivalents	164,636	153,204
Income tax paid in the year	11,422	10,618
Corporate income taxes accrued on profits/losses**	11,266	10,155

* Revenues include all positive income components, excluding dividends.
** Excluding deferred corporate income taxes and provisions for uncertain tax positions.

Taxonomy – Key Performance Indicators (KPIs)

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

(In thousands of Euro)				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Thousands of Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	NA	0	0%	%	%	%	%	%	%								0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	NA	0	0%																	
Total (A.1 + A.2)		0	0%														0%		0%	0%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		1,251,808	100%																	
Total (A + B)		1,251,808	100%																	

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

(In thousands of Euro)				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year 2022 (18)	Taxonomy-aligned proportion of turnover, year 2021 (19)	Category (enabling activity or) (20)	Category (transitional activity) (21)
		Thousands of Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	NA	0	0%	%	%	%	%	%	%								0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	NA	0	0%																	
Total (A.1 + A.2)		0	0%														0%		0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		159,426	100%																	
Total (A + B)		159,426	100%																	

* Total increases in fixed assets as at 31.12.2022 net of decreases in assets in progress (IAS 16 and IAS 38).

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2022

(In thousands of Euro)				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Quota di fatturato allineato alla tassonomia, anno 2022 (18)	Quota di fatturato allineato alla tassonomia, anno 2021 (19)	Categoria (attività abilitante o) (20)	Categoria (attività di transizione) (21)
		Thousands of Euro	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	NA	0	0%	%	%	%	%	%	%								0%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)	NA	0	0%																	
Total (A.1 + A.2)		0	0%														0%		0%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		91,210	100%																	
Total (A + B)		**91,210**	**100%**																	

* Total direct expenditures as at 31.12.2022 related to R&D costs, building renovations, short-term leases, maintenance and repair, other direct expenditure for the ordinary maintenance of property, plant and equipment, building-related insurance.

8. SCOPE OF ITALIAN LEGISLATIVE DECREE 254/2016 AND GROUP'S MATERIAL TOPICS

The following table shows the material topics identified for the Salvatore Ferragamo Group and its stakeholders through the materiality analysis, grouped into the areas provided for by Italian Legislative Decree 254/2016, and the Topic-Specific Standard associated with them.

Areas of Italian Legislative Decree 254/2016	Material topics	Reconciliation of Topic-Specific Standard
	Responsible consumption	Water and effluents, Energy, Waste
	Climate change	Emissions, Biodiversity
Environmental	Materials, innovation and circular economy	-
	Product quality and safety	Procurement practices, Customer health and safety
	Working conditions and human rights	Occupational health and safety
	Brand experience	Marketing and labeling
	Governance, ethical business & sustainable growth	Anti-competitive behavior, Financial performance, Taxes
	Privacy and data protection	Customer privacy
	Responsible and transparent procurement	Supplier social assessment, Forced or compulsory labor, Child labor, Procurement practices
Social	Support to the community	Local communities
	Attracting and nurturing talent	Employment, Training and development
	Diversity, equity & inclusion	Diversity and equal opportunities, non-discrimination
Employee-related matters	Working conditions and human rights	Employment, Training and development, Health and safety
Anti-corruption and anti-bribery	Governance, ethical business & sustainable growth	Anti-corruption and anti-bribery
Respect of human rights	Working conditions and human rights	Non-discrimination, Child labor, Forced or compulsory labor

9. TABLE OF GRI INDICATORS

Statement of use	Salvatore Ferragamo S.p.A. reported in accordance with the GRI Standards for the period 01/01/2022 - 31/12/2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standards	Not applicable

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 2: General Disclosures 2021	2-1 Organizational Details	Annual Report, pp. 1; 16-17	
	2-2 Entities included in the organization's sustainability reporting	NFS, p. 97	
	2-3 Reporting period, frequency and contact point	NFS, pp. 97-100	
	2-4 Restatements of information	NFS, pp. 97-100	
	2-5 External assurance	Annual Report NFS, pp. 204	
	2-6 Activities, value chain and other business relationships	Annual Report, pp. 23-30 NFS, pp. 157-162	
	2-7 Employees	NFS, pp. 129-130; 181-184	
	2-8 Workers who are not employees	NFS, pp. 130	
	2-9 Governance structure and composition	Annual Report, pp. 14-15	
	2-10 Nomination and selection of the highest governance body	Annual Report, pp. 14-15 Corporate Governance Report Company's website: *https://group.ferragamo.com/en/governance/board-of-directors/*	
	2-11 Chair of the highest governance body	Annual Report, pp. 14-15	
	2-12 Role of the highest governance body in overseeing the management of impacts	NFS, pp. 106-107; 122-127	
	2-13 Delegation of responsibility for managing impacts	NFS, pp. 122-127	
	2-14 Role of the highest governance body in sustainability reporting	NFS, pp. 106-107; 122	
	2-15 Conflicts of interest	Procedure governing related party transactions: *https://group.ferragamo.com/en/governance/corporate-governance/procedure*	
	2-16 Communication of critical concerns	NFS, pp. 125-127	
	2-17 Collective knowledge of the highest governance body	NFS, pp. 135	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report *https://group.ferragamo.com/en/governance/corporate-governance/corporate-governance-reports*	
	2-19 Remuneration policies	Remuneration Report *https://group.ferragamo.com/en/governance/corporate-governance/remuneration/remuneration-report*	
	2-20 Process to determine remuneration	Remuneration Report *https://group.ferragamo.com/en/governance/corporate-governance/remuneration/remuneration-report*	
	2-21 Annual total compensation ratio	NFS, p. 185	
	2-22 Statement on sustainable development strategy	Annual Report, pp. 4-9	
	2-23 Policy commitments	Documents and policies are available at the following link: *https://sustainability.ferragamo.com/en/download-area*	
	2-24 Embedding policy commitments	NFS, pp. 101-117	
	2-25 Processes to remediate negative impacts	NFS, pp. 108-112	
	2-26 Mechanisms for seeking advice and raising concerns	NFS, p. 126	
	2-27 Compliance with laws and regulations	NFS, p. 126	
	2-28 Membership associations	NFS, pp. 103-104	
	2-29 Approach to stakeholder engagement	NFS, pp. 105-113	
	2-30 Collective bargaining agreements	NFS, p. 141	
Material Topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	NFS, pp. 105-113	
	3-2 List of material topics	NFS, pp. 105-113	
Governance, ethical business & sustainable growth			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 118-121; 125-127; 188-189	
GRI 201: Economic performance 2016	201- 1 Direct economic value generated and distributed	NFS, pp. 119-121	
	201- 4 Financial assistance received from government	In 2022, financial assistance was obtained only through the Youth Guarantee Program of the Tuscany Region. More than 32,000 Euro were financed, compared to over 99,000 Euro in 2021, relating only to financing received through Fondimpresa and Fondirigenti. For both years, funding relates to Salvatore Ferragamo S.p.A. only.	
GRI 205: Anti-Corruption 2016	205- 3 Confirmed incidents of corruption and actions taken	During 2022 and 2021 there were no incidents of corruption.	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 206: Anti-competitive behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During 2022 and 2021 there were no legal actions for anti-competitive behavior, anti-trust and monopoly practices.	
GRI 207: Tax 2019	207-1 Approach to tax	NFS, pp. 118-121	
	207-2 Tax governance, control and risk management	NFS, pp. 118-121	
	207-3 Stakeholder engagement and management of concerns related to tax	NFS, pp. 118-121	
	207-4 Country-by-country reporting	NFS, pp. 188-189	
Responsible and transparent procurement			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 157-162	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	NFS, pp. 159-161	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Salvatore Ferragamo Group does not own or manage plants or operational sites that are located near protected areas or include protected areas or areas of high biodiversity outside protected areas. Therefore, indicators 304-2, 304-3, 304-4, 306-5 are not applicable.	
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	NFS, pp. 159-162	
Materials, innovation and circular economy			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 143-145; 155-156	
Responsible consumption			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 146-148	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	NFS, pp. 146-148	
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	NFS, pp. 146-148	
	303-2 Management of water discharge-related impacts	NFS, pp. 146-148	
	303-3 Water withdrawal	NFS, pp. 146-148 With reference to water consumption, considering the Group's activity and the fact that production is outsourced, no withdrawals are made from water-stressed areas. The breakdown for freshwater and other types of water is not available, as it is considered not significant.	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	NFS, pp. 146-148	
	306-2 Management of significant waste-related impacts	NFS, pp. 146-148	
	306-3 Waste generated	NFS, pp. 146-148	
	306-4 Waste diverted from disposal	NFS, pp. 146-148	
	306-5 Waste directed to disposal	NFS, pp. 146-148	
Climate change			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 150-152	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	NFS, pp. 150-152	
	305-2 Energy indirect (Scope 2) GHG emissions	NFS, pp. 150-152	
	305-3 Other indirect (Scope 3) GHG emissions	NFS, pp. 150-152	
	305-6 Emissions of ozone-depleting substances (ODS)	Considering the nature of its business, the Salvatore Ferragamo Group has not identified other significant emissions of ozone-depleting substances in 2022 and 2021.	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Considering the nature of its business, the Salvatore Ferragamo Group has not identified significant emissions of NOx, SOx, or other gases in 2022 and 2021.	
Attracting and nurturing talent			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 133-134; 138; 182	
GRI 401: Employment 2016	401-1 Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS, p. 133-134 Benefits for full-time employees of the Group vary according to local regulations and practices.	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	NFS, p. 136	
	404-3 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	NFS, pp. 138; 182	
Working conditions and human rights			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 122-127; 131-132; 159-162; 186-187	
GRI 401: Employment 2016	401-1 Benefits provided to full-time employees that are not provided to temporary or part-time employees	NFS, p. 133-134 Benefits for full-time employees of the Group vary according to local regulations and practices.	

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
GRI 403: Occupational health and safety 2018[34]	403-1 Occupational health and safety management system	Annual Report, pp. 81-87 NFS, pp. 131-132	
	403-2 Hazard identification, risk assessment, and incident investigation	Annual Report, pp. 81-87 NFS, pp. 131-132	
	403-3 Occupational health services	NFS, pp. 131-132	
	403-4 Worker participation, consultation, and communication on occupational health and safety	NFS, pp. 131-132	
	403-5 Worker training on occupational health and safety	NFS, pp. 131-132	
	403-6 Promotion of worker health	NFS, pp. 131-132	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual Report, pp. 81-87 NFS, pp. 131-132	
	403-8 Workers covered by an occupational health and safety management system	The ISO 45001 management system covers all Salvatore Ferragamo S.p.A. employees.	
	403-9 Work-related injuries	NFS, pp. 131-132; 186-187 Data on work-related injuries are only available for Italy and Europe.	
	403-10 Work-related ill health	NFS, pp. 131-132; 186-187 Data on work-related ill health are only available for Italy and Europe.	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	NFS, pp. 122-127; 159-162	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS, pp. 122-127; 159-162	
Diversity, equity & inclusion			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 129-130; 140-141; 181-185	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Annual Report, p. 48 NFS, pp. 129-130; 140-141; 181-185	
	405-2 Ratio of basic salary and remuneration of women to men	NFS, pp. 129-130; 140-141; 181-185	
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	NFS, pp. 140-141	

[34] Disclosures relating to GRI standards 403-1 to 403-8 are only available for Italy. However, at corporate level, the Company has a dedicated Global Health and Safety, Energy and Environmental Efficiency (HSE) function, which is responsible for ensuring a safe and regulatory compliant working environment. The team is responsible for defining health and safety guidelines for the Italian scope and then sharing them with the foreign Regions. It also manages monitoring activities and maintains relations with the Italian workers' safety representatives.

GRI STANDARD	DISCLOSURE		OMISSIONS Omitted requirements Reason Explanation
Support to the community			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 171	
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	NFS, pp. 171	
Product quality and safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 159	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	During 2022 and 2021 there were no incidents of non-compliance with regulations on health and safety of products and services.	
Brand experience			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 163-164	
GRI 417: Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing communications	During 2022 and 2021, there were no incidents of non-compliance concerning marketing communications.	
Privacy and data protection			
GRI 3: Material Topics 2021	3-3 Management of material topics	NFS, pp. 108-112; 125-127	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2022, the Group received no substantiated complaints concerning breaches of customer privacy and losses of customer data.	

Correspondence between the principles of the UN Global Compact and the GRI standard indicators

For the Salvatore Ferragamo Group the Sustainability Report is also a Communication On Progress (COP), in other words the annual document which offers stakeholders information on the progress made in applying the Ten Principles of the UN Global Compact in carrying out its activities. In this perspective, the table below provides a precise correspondence between the reported GRI Standards and the Principles.

CATEGORIES	PRINCIPLES OF THE GLOBAL COMPACT	GRI Standards
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	2-23; 408-1; 409-1; 413-2; 414-2
	Principle 2: Businesses should make sure that they are not complicit in human rights abuses	2-23; 414-2
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	2-30
	Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labor	409-1
	Principle 5: Businesses should uphold the effective abolition of child labor	408-1
	Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation	2-7; 401-1; 401-2; 404-1; 404-3; 405-1; 406-1
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges	302-1; 303-1; 305-1; 305-2; 305-3; 305-6; 305-7
	Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility	302-1; 303-1; 303-2; 303-3; 304-1; 305-1; 305-2; 305-3; 305-6; 305-7; 306-1; 306-2; 306-3; 306-4; 306-5; 2-27
	Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies	2-23; 2-25; 2-26
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	2-23; 2-25; 2-26; 205-3

10. INDEPENDENT AUDITOR'S REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
Salvatore Ferragamo S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5.1.g) of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2022 consolidated non-financial statement of the Salvatore Ferragamo Group (the "group") prepared in accordance with article 4 of the decree, presented in the specific section of the directors' report and approved by the board of directors on 2 March 2023 (the "NFS").

Our procedures did not cover the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Salvatore Ferragamo S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting standards.

The directors are also responsible, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.

2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.

4 Gaining an understanding of the following:

- the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
- the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
- the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5 Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at group level,
  a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
  b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited Salvatore Ferragamo S.p.A. and Ferragamo USA Inc, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2022 consolidated non-financial statement of the Salvatore Ferragamo Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Our conclusion does not extend to the information set out in the "EU taxonomy" section of the NFS required by article 8 of Regulation (EU) 852 of 18 June 2020.

Florence, 3 April 2023

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

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Financial Statements

Consolidated Statement of Financial Position – Assets

(In thousands of Euro)	Notes	31 December 2022	of which with related parties	31 December 2021	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	5	191,564		186,854	
Investment property	6	27,747		30,223	
Goodwill	7	6,679		6,679	
Right-of-use assets	8	479,724	92,040	500,047	97,959
Intangible assets with a finite useful life	9	34,903		33,423	
Other non current assets	10	5,860		5,732	
Other non current financial assets	11	15,570	3,093	15,659	2,987
Deferred tax assets	37	109,090		105,468	
TOTAL NON CURRENT ASSETS		**871,137**	**95,133**	**884,085**	**100,946**
CURRENT ASSETS					
Inventories	12	275,323		274,566	
Right of return assets	13	5,703		5,224	
Trade receivables	14	94,490	50	112,670	44
Tax receivables	15	30,581		27,512	
Other current assets	16	41,447	-	32,606	2,569
Other current financial assets	17	10,255		596	
Cash and cash equivalents	18	391,354		511,796	
TOTAL CURRENT ASSETS		**849,153**	**50**	**964,970**	**2,613**
TOTAL ASSETS		**1,720,290**	**95,183**	**1,849,055**	**103,559**

Consolidated Statement of Financial Position – Liabilities and Shareholders' Equity

(In thousands of Euro)	Notes	31 December 2022	of which with related parties	31 December 2021	of which with related parties
SHAREHOLDERS' EQUITY					
GROUP SHAREHOLDERS' EQUITY					
Share capital	19	16,879		16,879	
Reserves	19	665,322		668,787	
Net profit/(loss) – Group		69,609		78,647	
TOTAL GROUP SHAREHOLDERS' EQUITY		**751,810**		**764,313**	
MINORITY INTERESTS					
Share capital and reserves – minority interests		27,856		19,076	
Net profit/(loss) – minority interests		(4,257)		2,490	
TOTAL MINORITY INTERESTS		**23,599**		**21,566**	
TOTAL SHAREHOLDERS' EQUITY		**775,409**		**785,879**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	20	-		63,516	
Provisions for risks and charges	21	21,251		20,732	
Employee benefit liabilities	22	7,581		8,970	
Other non current liabilities	23	17,128	1,462	15,456	-
Non current lease liabilities	24	468,737	85,042	487,230	88,034
Deferred tax liabilities	37	6,071		3,380	
TOTAL NON CURRENT LIABILITIES		**520,768**	**86,504**	**599,284**	**88,034**
CURRENT LIABILITIES					
Trade payables	25	174,016	317	183,792	260
Refund liabilities	26	10,100		9,310	
Interest-bearing loans & borrowings	20	29,264		75,604	
Tax payables	27	25,216		25,732	
Other current liabilities	28	77,835	27,418	58,929	1,869
Current lease liabilities	24	106,586	14,931	110,012	15,956
Other current financial liabilities	29	1,096		513	
TOTAL CURRENT LIABILITIES		**424,113**	**42,666**	**463,892**	**18,085**
TOTAL LIABILITIES		**944,881**	**129,170**	**1,063,176**	**106,119**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,720,290**	**129,170**	**1,849,055**	**106,119**

Consolidated Income Statement

(In thousands of Euro)	Notes	2022	of which with related parties	2021	of which with related parties
Revenues from contracts with customers	31	1,248,907	189	1,133,159	180
Rental income investment properties	32	2,901		2,361	
Revenues		**1,251,808**		**1,135,520**	
Cost of goods sold	33-34	(350,693)	-	(354,576)	(49)
Gross profit		**901,115**		**780,944**	
Style, product development and logistics costs	33-34	(49,263)	(811)	(40,908)	(891)
Sales & distribution costs	33-34	(453,167)	(16,726)	(407,844)	(17,257)
Marketing & communication costs	33-34	(92,064)	(273)	(66,379)	(97)
General and administrative costs	33-34	(168,819)	(26,195)	(126,304)	(9,449)
Other operating costs	33-34	(29,024)	(162)	(22,714)	(145)
Other income	35	19,160	6	26,685	4
Operating profit/(loss)		**127,938**		**143,480**	
Financial charges	36	(78,703)	(2,901)	(50,514)	(3,061)
Financial income	36	51,927	-	29,652	-
Profit/(loss) before taxes		**101,162**		**122,618**	
Income taxes	37	(35,810)		(36,289)	
Profit/(loss) from continuing operations		**65,352**		**86,329**	
Profit/(loss) from discontinued operation, net of tax		-		(5,192)	
Net profit/(loss) for the period		**65,352**		**81,137**	
Net profit/(loss) – Group		69,609		78,647	
Net profit/(loss) – minority interests		(4,257)		2,490	

(In Euro)	Notes	2022	2021
Basic earnings/(loss) per share – ordinary shares	38	0.419	0.467
Diluted earnings/(loss) per share – ordinary shares	38	0.419	0.467
Basic earnings/(loss) per share from continuing operations – ordinary shares	38	0.419	0.497
Diluted earnings/(loss) per share from continuing operations – ordinary shares	38	0.419	0.497

Consolidated Statement of Comprehensive Income

(In thousands of Euro)	Notes	2022	2021
Net profit/(loss) for the period (A)		**65,352**	**81,137**
Other gains / (losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Currency translation differences of foreign operations	19	3,405	18,177
- Net gain/(loss) from cash flow hedge	3	17,921	(15,166)
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		(4,301)	3,639
Total other gains / (losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**17,025**	**6,650**
Other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from recognition of defined-benefit plans for employees	22	1,296	1,450
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		(197)	(298)
Total other gains / (losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**1,099**	**1,152**
Total other gains / (losses) net of taxes (B1+B2 = B) from continuing operations		**18,124**	**7,802**
Total comprehensive income for the period, net of taxes (A+B)		**83,476**	**88,939**
Group		88,438	83,487
Minority interests		(4,962)	5,452

Consolidated Statement of Cash Flows

(In thousands of Euro)	Notes	2022	of which with related parties	2021	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**65,352**		**81,137**	
Adjustments to reconcile net profit/(loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets, investment property and right-of-use assets	5-6-8-9	170,962	17,692	163,172	17,021
Income taxes	37	35,810		36,451	
Provision for employee benefit plans	22	564		681	
Allocation to/(use of) the provision for obsolete inventory	12	(8,704)		(4,488)	
Losses and provision for bad debt	14	1,649		673	
Losses/(gains) on disposal of tangible/intangible assets		1,334		707	
Interest expense and interest expense on lease liabilities	36	16,099	2,091	15,368	3,061
Interest income	36	(2,008)	-	(841)	-
Other non-monetary items		2,270	6,368	(5,917)	(529)
Changes in operating assets and liabilities:					
Trade receivables	14	20,942	(6)	9,952	292
Inventories	12	7,122		71,618	
Trade payables	25	(10,216)	57	45,228	(364)
Other receivables and tax payables	15-27	(2,420)		(9,407)	
Employee benefits payments	22	(803)		(1,795)	
Other assets and liabilities		4,414	29,474	12,231	2,127
Other – net		(2,857)		(1,531)	
Income taxes paid		(18,513)		(22,709)	123
Interest expense and interest expense on lease liabilities paid	18-24	(15,933)	(2,922)	(15,240)	(3,085)
Interest income received		2,008	-	841	-
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**267,072**	**52,754**	**376,131**	**18,646**
Cash flow from investing activities:					
Purchase of tangible assets	5-6	(41,608)	(2)	(36,800)	(65)
Purchase of intangible assets	9	(14,255)		(7,689)	
Proceeds from the sale of tangible and intangible assets		-		98	
Proceeds from the sale of the discontinued operation, net of cash sold		-		17,128	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. – deferred consideration		-		(3,629)	
Net change in other current financial assets		(9,999)		-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**(65,862)**	**(2)**	**(30,892)**	**(65)**
Cash flow from financing activities:					
Net change in financial receivables	18	-		291	
Net change in financial payables	18	(109,265)		(47,152)	
Repayment of lease liabilities	18-24	(114,610)	(15,853)	(100,669)	(14,479)
Dividends paid to shareholders of the Parent company	39	(56,733)	(40,688)	-	
Treasury share repurchase	19	(42,670)		(12,756)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(323,278)**	**(56,541)**	**(160,286)**	**(14,479)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(122,068)**		**184,953**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**511,796**		**327,880**	
Increase/(decrease) in cash and cash equivalents		(122,068)		184,953	
Effect of exchange rate translation differences		1,626		(1,037)	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**391,354**		**511,796**	

Statement of Changes in Consolidated Shareholders' Equity

Note 19

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2022	**16,879**	**(15,532)**	**2,995**	**4,188**	**594,520**	**(6,404)**	**(10,418)**	**98,676**	**3,375**	**(2,613)**	**78,647**	**764,313**	**21,566**	**785,879**
Allocation of results	-	-	-	-	32,800	-	-	45,847	-	-	(78,647)	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	69,609	69,609	(4,257)	65,352
Other comprehensive income/(loss)	-	-	-	-	-	13,620	3,655	471	-	1,083	-	18,829	(705)	18,124
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**13,620**	**3,655**	**471**	**-**	**1,083**	**69,609**	**88,438**	**(4,962)**	**83,476**
Distribution of dividends	-	-	-	-	(56,735)	-	-	-	-	-	-	(56,735)	-	(56,735)
Purchase of min. interests in companies consolidated on a line-by-line basis and accounting of options on min. interests	-	-	-	-	-	-	(102)	(6,607)	(56)	106	-	(6,659)	6,995	336
Treasury share repurchase	-	(42,670)	-	-	-	-	-	-	-	-	-	(42,670)	-	(42,670)
Stock Grant Reserve	-	-	-	-	-	-	-	-	5,123	-	-	5,123	-	5,123
As at 31.12.2022	**16,879**	**(58,202)**	**2,995**	**4,188**	**570,585**	**7,216**	**(6,865)**	**138,387**	**8,442**	**(1,424)**	**69,609**	**751,810**	**23,599**	**775,409**

Note 19

(In thousands of Euro)	Share capital	Treasury share reserve	Share capital contributions	Legal reserve	Extraordinary reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Other reserves	Effect IAS 19 Equity	Net profit/ (loss) for the period	Group shareholders' equity	Minority interests	Total shareholders' equity
As at 01.01.2021	**16,879**	**(2,776)**	**2,995**	**4,188**	**628,530**	**5,123**	**(25,368)**	**129,770**	**4,322**	**(3,684)**	**(66,397)**	**693,582**	**16,114**	**709,696**
Allocation of results	-	-	-	-	(34,070)	-	-	(32,327)	-	-	66,397	-	-	-
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	78,647	78,647	2,490	81,137
Other comprehensive income/(loss)	-	-	-	-	-	(11,527)	14,950	346	-	1,071	-	4,840	2,962	7,802
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**-**	**(11,527)**	**14,950**	**346**	**-**	**1,071**	**78,647**	**83,487**	**5,452**	**88,939**
Treasury share repurchase	-	(12,756)	-	-	-	-	-	-	-		-	(12,756)	-	(12,756)
Reclassifications	-	-	-	-	60	-	-	887	(947)	-		-	-	-
As at 31.12.2021	**16,879**	**(15,532)**	**2,995**	**4,188**	**594,520**	**(6,404)**	**(10,418)**	**98,676**	**3,375**	**(2,613)**	**78,647**	**764,313**	**21,566**	**785,879**

Explanatory Notes to the Consolidated Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and adopts a conventional administration and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A..

The Salvatore Ferragamo Group is one of the main players in the luxury sector and dates back to 1927.

The consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 2 March 2023.

The Salvatore Ferragamo Group is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. The Group is also active in the licensing of the Salvatore Ferragamo brand and in real estate management.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo flag-ship stores, both directly operated (DOS) and through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel. For further details on the Group's main activities, reference is made to the Board of Directors' report on operations.

1.1 Management and coordination

Pursuant to art 2497 and ff. of the Italian Civil Code, Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2021 and 2020 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2021	31 December 2020
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	174,132,690	170,394,472
C) Current assets	35,403,201	47,129,668
D) Accruals and Deferrals	2,273	20,122
TOTAL ASSETS	**209,538,164**	**217,544,262**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	153,550,236	165,265,596
- Profit (loss) for the year	(1,226,880)	(1,669,694)
B) Provisions for risks and charges	-	22,272
D) Payables	7,152,175	3,787,573
E) Accruals and Deferrals	312,673	388,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**209,538,164**	**217,544,262**
INCOME STATEMENT		
A) Value of production	336,391	230,277
B) Costs of production	(2,933,122)	(2,866,086)
Difference between value and costs of production	**(2,596,731)**	**(2,635,809)**
C) Financial income and charges	506,626	12,326
Profit before taxes	**(2,090,105)**	**(2,623,483)**
Income taxes for the year, current and deferred	863,225	953,789
Profit/(loss) for the year	**(1,226,880)**	**(1,669,694)**

2. Basis of presentation

2.1 Statement of compliance with IFRS

The Consolidated Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB"), adopted by the European Union and in force at the reporting date. The explanatory notes to the Consolidated Financial Statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Italian Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and before that Standing Interpretations Committee ("SIC").

2.2 Contents and structure of the consolidated financial statements

All amounts are expressed in Euro and are expressed in thousands of Euro, unless otherwise indicated.
The consolidated statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets and deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities and deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

Differently from the separate financial statements of the Parent company Salvatore Ferragamo S.p.A., the consolidated income statements are shown in accordance with a classification of costs by function, which is considered more representative than the so-called presentation of costs by nature. The Group allocates costs by function using the cost centers that represent the function of the cost. The structure chosen is in line with internal reporting processes and business operations. The breakdown of costs by nature is included in the explanatory notes (note 34 Breakdown by nature of income statement cost items). The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

For comparative purposes, the consolidated financial statements show the comparison with the consolidated statement of financial position as at 31 December 2021 and the consolidated income statement as at 31 December 2021.

2.3 Accounting standards

2.3.1 General notes

The Consolidated Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis. The accounting standards adopted in the Consolidated Financial Statements as at 31 December 2022 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2022. For more details, please refer to "Changes in international accounting standards".

Discretionary valuations and significant accounting estimates

The preparation of the Consolidated Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Group's products are subject to market trends and changes in fashion trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Group's various distribution channels. This assumption may vary across the different geographic areas in which the Group operates based on the knowledge of the individual market's characteristics concerning the local ability to absorb sales of products from previous seasons. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;

- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the company has well-established and consolidated relations. The Group uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Group updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 and 14;
- provisions for risks and charges, specifically the costs for the contractual commitment to renovate in the future leased properties and costs for ongoing or foreseeable disputes;
- right of return to adjust revenues from contracts with customers, where envisaged under contractual terms and conditions or customary business practices for selling goods. The Group has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;
- useful life of property, plant and equipment, intangible assets with a finite useful life and investment property, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 22;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Group's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Group uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 and 30;
- fair value of share-based payments plans, settled in either cash or shares, that the Parent company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of fair value, reference should be made to note 40;

- risk of defeat in the disputes involving the Group; the Group recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in the outstanding proceedings. The Group monitors the status of ongoing lawsuit and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Group assesses uncertain tax positions and, if required, recognizes a liability.

With reference to IFRS 16, the Group made the significant accounting estimates reported below in its capacity as lessee:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Group has considered these conclusions in identifying the lease term. In defining the lease term, the Group considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Group considered whether there are significant economic disincentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Group considered paragraph B35 of IFRS 16.
  Applying the above, considering the specific facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - for annual leases that are automatically renewed except in the event of termination, the Group considered an average term of five years based on historical evidence;
  - in the other cases, if only the Group can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

  After the lease commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Group and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.
- Definition of the discount rate: as most leases entered into by the Group do not contain an implicit interest rate, the Group calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Group identified each country as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in the country in which the lease was entered into, based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed – recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment/Restatement of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, Right-of-use assets, and Goodwill

The book value of Property, plant and equipment, Investment property, Intangible assets with a finite useful life, and Right-of-use assets is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

The impairment test is carried out by considering the individual geographic areas in which the Group operates as cash generating units ("CGUs"). Said areas usually coincide with the Group's individual legal entities, except where multiple legal entities of the Group operate in the same country or in neighboring territories or markets with a shared and homogeneous customer base.

The cash flows are taken from the estimates made by management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash flow generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for Goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which Goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which Goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for Goodwill shall not be reversed in subsequent periods.

Climate change impact assessment

In line with the priorities defined by the European Securities and Market Authority (ESMA) of 28 October 2022 for the 2022 reporting year, as indicated in the section "Main risks and uncertainties" of the Board of Directors' report on operations, the Group has identified possible environmental risk factors across the various types of risk and monitors the continuous evolution of the regulatory framework, both national and international.

Specifically, climate change and the public's attention on this issue could affect customer preferences, causing changes in purchases of certain product categories – not core to the Group's business – and potentially the procurement of certain raw materials, while at the moment it is not possible to contemplate a reduction in the quality of the same. Therefore, the Group monitors climate change-related risks to reduce any repercussions on its operations. Moreover, the Group monitors the constant evolution of the domestic and international regulatory framework as well as the potential introduction of additional regulations aimed at reducing the environmental impacts of the business.

The impact of climate-related matters on the Group's financial statements is currently not material and has not led to any significant assessments of budget estimates. The Group will continue to monitor this exposure by specifically assessing the impact on production costs related to the introduction of emission-reduction regulations and, if there is a significant impact, the Group will include these assumptions into its estimates.

In order to accelerate the adoption of renewable energy sources, in 2022 the Group, together with the Fashion Pact, joined forces with 11 other brands in the project to launch a Collective Virtual Power Purchase Agreement (CVPPA) for the European region, which will only start in the next few years. It is estimated that its impact on the financial statements will not be significant.

Disclosure on impairment

Based on the provisions of the impairment test procedure approved by the Board of Directors, the Group undertook an analysis to identify any indicators of impairment and/or impairment losses on assets or whether any grounds for the write-down in previous years no longer exist.

In 2022, the Group performed well in terms of both revenues and margins, although growth slowed in some areas in the second half of the year.

In 2022, the macroeconomic scenario showed signs of recovery compared to the previous two-year period (2020 - 2021), when it had been negatively affected by the effects of the Covid-19 pandemic, but remained uncertain due to both the Russian-Ukrainian conflict and the strong inflationary pressures in the world's major economies, as well as by the rise in interest rates with a consequent reduction in consumers' spending propensity and power, and the recurrence of the pandemic and the zero-Covid policy led to new closures and restrictions on people and commerce in China. As a result, the International Monetary Fund's estimates of economic growth, while still positive, were revised downwards during the year.

With regard to the assets that were tested for impairment as at 31 December 2020 and for which an impairment loss was recognized, it was decided not to reinstate the value in 2022, given the still uncertain macro-economic scenario, as described above, particularly in Europe and North America.

With reference to the other CGUs, the analysis carried out did not identify any indicators of possible impairment losses as at 31 December 2022 (known as trigger events), as it is assumed that the uncertainties that characterized them were caused by contingent situations, such as in China, and are therefore not permanent.

2.3.2 Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below.

Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset for the company. The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5-6 years
Industrial and commercial equipment	4-7 years
Other assets:	
- Office furniture and furnishings	5-8 years
- Electronic machines	3-5 years
- Historic collection	5 years
- Vehicles	3-4 years
Leasehold improvements	On the basis of the residual term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

2.3.3 Investment property

Tangible assets held for income purposes and not for instrumental use are shown in a specific item called "Investment property", in accordance with IAS 40, and are recognized at cost. The assets which fall under this category are represented by land and/or buildings (or parts of buildings) held by the owner or lessee under a financial or operating lease in order to lease them out.

These types of property are classified separately from other property assets held. Investment property is shown net of the relevant accumulated depreciation and any impairment. The useful life of Group investment property is 33 years.

The book value of investment property is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Investment property is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when the investment is permanently unusable and no future economic benefits are expected from its disposal. The amount of consideration to be considered to calculate the gain or loss on the derecognition of an investment property is determined in accordance with transaction pricing requirements in IFRS 15.

2.3.4 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.
The Group uses the exemption under IFRS 16 for intangible assets.

The Group as lessee

The Group applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Group recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Group recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Group in restoring the underlying asset to its original condition, if required by the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right-of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Group recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the Group is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Group mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Group uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
The Group has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Group as lessor
Lease contracts in which the Group largely retains all the risks and benefits of ownership of the asset are classified as operating leases.

Lease payments are recognized on a straight-line basis over the term of the lease contracts in place at the reporting date and, if they derive from investment property, they are classified under Rental income investment properties. The Group capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

2.3.5 Business combinations and goodwill
Business combinations are accounted for using the acquisition method.
The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company. For every business combination, the acquirer must assess any minority interests in the acquired company at fair value or in proportion to the share of minority interests in the net identifiable assets of the acquired company. Acquisition costs are recognized in the income statement under administrative costs.

The Group shall determine to have acquired a business when an integrated set of activities and assets includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. An acquired process shall be considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process, or significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.
Every potential consideration must be recognized by the acquirer at the fair value on the acquisition date. The change in the fair value of the potential consideration classified as a financial asset or liability pursuant to IFRS 9 will be recognized in accordance with the provisions of IFRS 9, in the income statement or in the statement of comprehensive income. If the potential consideration is classified as an equity instrument, its value is not remeasured and its discharge is recognized under shareholders' equity. When the contingent consideration is outside the scope of IFRS 9, it must nonetheless be measured at fair value through profit or loss.
The goodwill acquired in a business combination is initially measured as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the fair value of the net identifiable assets acquired and the liabilities assumed by the Group.
This requires the fair value recognition of the identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the purchased company.
After the initial recognition, goodwill is valued at cost less accumulated impairment. For impairment test purposes, the goodwill acquired in a business combination is allocated, at the acquisition date, to the Group's individual cash flow generating units, or to groups of cash flow generating units which should benefit from the synergies of the combination, regardless of the fact that other Group assets or liabilities are allocated to these units or groups of units.
When the Group acquires a business, it must classify or designate the financial assets acquired or the liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. This includes a test to establish whether an embedded derivative must be separated from the primary contract.
In a business combination achieved in stages, the company shall remeasure its previously held equity interest at its fair value and recognize the resulting gain or loss, if any, in profit or loss.
If the goodwill has been allocated to a cash flow generating unit and the entity disposes of part of the assets of this unit, the goodwill relating to the disposed asset must be included in the book value of the asset when the gain or loss arising from the disposal is determined. The goodwill relating to the disposed asset must be determined on the basis of the values relating to the disposed asset and the part of the cash flow generating unit which is kept.
Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

2.3.6 Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.
Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Key money	On the basis of the residual term of the asset's lease contract
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.
The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs
Research costs are charged to the income statement when they are incurred.
Development costs incurred in relation to a particular project are capitalized only when the Group can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.
During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized in reference to the period in which the project is likely to generate revenues for the Group.

Industrial patents and intellectual property rights
Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Group products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Other intangible assets with a finite useful life
This item mainly refers to the sums paid to lease property by taking over existing contracts or by obtaining the withdrawal of lessees so as to be able to enter into new contracts with the lessors (key money). These charges are amortized over the term of the lease contract.

Starting from 2020, the item includes also the know-how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

2.3.7 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets

On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ("solely payments of principal and interest-SPPI") test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Group's business model for managing financial assets refers to how the Group manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Group measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include trade receivables and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)
The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Group currently does not have this type of instruments.

Financial assets at fair value through profit or loss
In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Group may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.
Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments. Derivatives are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Group changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Group derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Group expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Group adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Group may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)
After initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

It is not possible to reclassify financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Group elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the

hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

2.3.8 Cash and cash equivalents
Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

2.3.9 Treasury shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

2.3.10 Inventories
Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

2.3.11 Assets held for sale
This item is composed of non current assets, whose book value will be recovered mainly through their sale rather than through their continued use. Assets classified as held for sale are valued at the lower of their net book value and their fair value net of sale costs.

2.3.12 Provisions for risks and charges
Provisions for risks and charges are allocated when the Group must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Group believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

2.3.13 Pension Funds and other long-term employee benefits

In Italy, the Group has a "Defined-benefit plan" for employee severance indemnities. With respect to Salvatore Ferragamo S.p.A., the plan concerns only the amounts recognized up to 31 December 2006. In addition, the Group has "Defined-contribution plans" for employee severance indemnities accrued after said date. This distinction derives from the 2007 Budget Law and the relevant enabling legislation, which require allocating employee severance indemnities to either supplementary pensions schemes or the Treasury Fund of the Italian Social Security Institute (INPS).

The Group also has other "Defined-benefit plans" in the United States, Mexico, Thailand, France, Belgium, Principality of Monaco, Taiwan, Japan, and Switzerland.

Moreover, the Group has defined-contribution plans for its employees.

The Group's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the present value. The cost of the benefits provided under the defined-benefit plan is determined using the actuarial technique of the projected unit credit method. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19. Net interest on the net defined-benefit liability shall be determined by multiplying the net liability by the discount rate.

The actuarial assessment of liabilities has been entrusted to independent actuaries.

2.3.14 Fair Value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:

- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

2.3.15 Costs

Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.
Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Group.
Costs are recognized according to their nature considering the standards applicable under IFRS.

2.3.16 Revenues from contracts with customers

Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Group considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return

Some contracts allow customers to return goods within a specified period of time. The Group uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Group will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Group adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the cost of sales) is recognized also for the right to recover goods from customers.

Royalties

Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

2.3.17 Right of return assets

A right of return asset represents the Group's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Group regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

2.3.18 Refund liabilities

The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Group expects to be refunded to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.3.19 Share-based payment plans

The Group recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares and through cash-settled plans based on share value.

Equity-settled transactions

In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions.

The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions
In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is recalculated at each year-end date and at the settlement date, charging the related changes to the income statement. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

2.3.20 Financial income and charges
Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

2.3.21 Dividends
Dividends are recognized when the shareholders' right to receive payment arises.

2.3.22 Government grants
Government grants are recognized when there is reasonable certainty that said grants will be received, and all the conditions of said grants are met. Grants related to income are shown as a positive component in the income statement.

2.3.23 Income taxes
Current taxes
Current taxes reflect a realistic estimate of the tax burden, determined by applying the rates and laws in force in the countries where the Salvatore Ferragamo Group operates; the amount payable for current taxes is recognized in the statement of financial position net of any tax advances paid. The Group regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.

Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes
Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.

Deferred tax liabilities are recorded for all taxable temporary differences, except:
- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and whose values are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

2.3.24 Earnings per share

Basic earnings per share is calculated by dividing the profit and/or loss for the period attributable to the Shareholders of the Parent company by the weighted average number of outstanding shares during the year. For the purposes of calculating the diluted earnings per share, the weighted average number of the outstanding shares is modified by assuming the conversion of all potential shares with a diluting effect. The net result is also adjusted to take account of the impact, net of taxes, of the conversion.

2.3.25 Put and call agreements on minority interests

In the case of put options granted to minority shareholders, the Group recognizes a financial liability corresponding to the present value of the exercise price of the option. If the terms and conditions of the put option already give the Group access to the economic benefits associated with the interest concerned by the option, the Group accounts for this interest as if it were already acquired and, therefore, on initial recognition of the liability, this amount is reclassified from equity as a deduction from minority interests. The liability is subsequently remeasured at the end of each period in compliance with IFRS 9. In other cases, under the accounting policy chosen by the Group, on initial recognition of the liability, this amount shall be reclassified to the Group's equity, continuing to account for the profits and losses attributable to such minority interests and the equity held by minority interests; any change in the amount of the liability shall be recognized in equity.

2.3.26 IAS 29 Financial reporting in hyperinflationary economies

Effective 1 July 2018, Argentina's economy is considered hyperinflationary in accordance with "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard requires that the financial statements of entities whose functional currency is the currency of an economy considered hyperinflationary to be restated by using a general price index that reflects changes in general purchasing power. The inflation index used in Argentina is a synthetic index with the following characteristics: (a) as of 1 January 2017, a new national consumer price index is used; and (b) for periods up to 31 December 2016, the wholesale price index is used.

Therefore, all items of the financial statements of Ferragamo Argentina S.A. have been divided into monetary and non-monetary items. Monetary items are money held and assets or liabilities to be received or paid in cash; all other items are non-monetary. Monetary items are not restated because they are already expressed in terms of current monetary unity. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power and an entity with an excess of monetary liabilities over monetary assets gains purchasing power. The gain or loss on the net monetary position is included in net income. The effect of inflation on the net monetary position and non-monetary assets and liabilities of Ferragamo Argentina S.A. for the year ended 31 December 2022 resulted in a 742 thousand Euro net loss with an immaterial impact on the consolidated financial statements (154 thousand Euro net loss in the consolidated income statement as at 31 December 2021).

After restating non-monetary assets as per IAS 29, the Group also assessed whether the restated amount of the asset exceeded its recoverable amount. In addition, the application of IAS 29 gave rise to temporary differences: while the carrying amount of non-monetary assets is adjusted for inflation, a similar adjustment is not made for tax purposes; the result of such temporary difference is a deferred tax liability that has been recognized in profit or loss.

2.3.27 Changes in international accounting standards

The Group has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. These amendments did not have any impact on the Group's consolidated financial statements.

Amendment to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022. The Group applied these amendments to contracts for which it had not yet met all its obligations at the beginning of 2022, without impacting the Group's consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Group applied this change as from 2022. These amendments did not have any impact on the Group's consolidated financial statements.

2.3.28 Standards issued but not yet in force

Set out below are the standards which, when preparing the Group's consolidated financial statements, had already been issued but were not yet in force. The list refers to the standards and interpretations which the Group expects will in all likelihood be applicable in the future. The Group intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current situation.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. The Group is currently assessing the impact of the amendments on its financial position; based on the analysis carried out, it does not anticipate an impact on retained earnings, and the Group will recognize deferred tax assets and liabilities separately.

Definition of Accounting Estimates – Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to IFRS Practice Statement 2: Making Materiality Judgements set out non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

2.4 Consolidation area

The Consolidated Financial Statements as at 31 December 2022 contain the equity and financial position as well as the operating performance of the Parent company Salvatore Ferragamo S.p.A. and its foreign subsidiaries consolidated on a line-by-line basis. These are identified collectively as the Salvatore Ferragamo Group.

The Consolidated Financial Statements as at 31 December 2022 include the 2022 accounts of Group companies, which have been prepared by adopting the same accounting policies as the Parent company. Subsidiaries are those entities over which the Group has control, or when the Group is exposed to variable returns arising from its transactions with the entity, or can claim rights over such returns, and at the same time has the ability to influence such returns by exercising its influence over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the moment when the parent company starts to exercise control until such control ends. Should it lose such control, the Group eliminates the assets and liabilities of the subsidiary and any previous minority interests in shareholders' equity, including any other item of other comprehensive income relating to the subsidiary. Any profit or loss arising from the loss of control is recorded under net profit/(loss) for the year. Any equity investment in the former subsidiary is measured at fair value on the date of loss of control.

All intragroup balances and transactions, including any unrealized profits and losses deriving from transactions among Group companies, are completely eliminated.

Minority interests represent the part of profits or losses and of net assets not held by the Group and are shown in a separate item of the income statement, and in the statement of financial position among shareholders' equity items, separately from Group shareholders' equity.

Acquisitions of subsidiaries are recognized using the acquisition method, allocating the cost of the business combination at the fair values of assets, liabilities and contingent liabilities acquired at the acquisition date and including the result of the purchased company recorded from the acquisition date to the end of the year. Changes in the Group's stake in a subsidiary which do not cause the loss of control are recognized as equity transactions.

The following companies are included in consolidation as at 31 December 2022 and are consolidated on a line-by-line basis.

Company name	Location	Currency	Share capital	31 December 2022 Controlling interest (%) Direct	Indirect	Notes
Salvatore Ferragamo S.p.A.	Florence, Italy	Euro	16,879,000		Parent company	
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	3,187,970,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	89.13%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

1 - Through Ferragamo USA Inc. 2 - Through Ferragamo Hong Kong Ltd. 3 - Through Ferrimag Ltd. 4 - Non-operating company.

During 2022, the composition of the Salvatore Ferragamo Group saw the following change:

- On 27 July 2022, Salvatore Ferragamo S.p.A. subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital. The transaction aims to strengthen the Salvatore Ferragamo Group's presence in Japan, providing Ferragamo Japan K.K. with greater financial resources to develop the local business.

In addition, please note that Ferragamo Argentina S.A. operates in a country that has been considered a hyperinflationary economy since 1 July 2018 in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies"; therefore, this accounting standard has been applied since 2018 in the reporting of the financial position, financial performance, and cash flows of Ferragamo Argentina S.A. for consolidated purposes, as detailed in note 2 Basis of presentation. The impact of the application of the new standard in the years 2018, 2019, 2020, 2021 and 2022 is not to be considered material at the Group level.

2.4.1 Subsidiaries with material minority interests

With respect to subsidiaries with material minority interests, here below are the main activities undertaken and the minority interest percentages as at 31 December 2022 and 2021.

		Minority interest (%)	
Company	**Activity**	**31 December 2022**	**31 December 2021**
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Retail and distribution company for the Chinese market	25.00%	25.00%
Ferragamo Retail HK Limited	Retail company for the Hong Kong market	25.00%	25.00%
Ferragamo Japan K.K.	Retail company for the Japanese market	10.87%	29.00%

The following tables provide the main economic and financial data of the subsidiaries with material minority interests. This information is based on the balances of the 2022 and 2021 accounts, which were drawn up for the purposes of preparing the consolidated financial statements, gross of intercompany eliminations.

31 December 2022

(In thousands of Euro)	**Ferragamo Fashion Trading (Shanghai) Co. Ltd.**	**Ferragamo Retail HK Limited**	**Ferragamo Japan K.K.**
Non current assets	34,586	21,521	7,603
Current assets	127,583	14,152	60,015
Non current liabilities	13,024	12,216	7,622
Current liabilities	40,207	60,643	51,627
Shareholders' equity	108,938	(37,186)	8,369
Minority interests	**27,187**	**(10,469)**	**910**
Revenues	154,077	15,432	99,298
Profit for the year	3,531	(13,436)	4,341
Net profit/(loss) – minority interests	**883**	**(3,359)**	**472**
Total comprehensive income for the period	3,531	(13,436)	4,428
Comprehensive income attributed to minority interests	**883**	**(3,359)**	**481**
Net cash from/(used in) operating activities	(5,303)	(3,148)	14,168
Net cash from/(used in) investing activities	(6,674)	(579)	(694)
Net cash from/(used in) financing activities	(7,546)	2,659	(4,549)
Increase/(decrease) in cash and cash equivalents	**(19,523)**	**(1,068)**	**8,925**
Dividends paid to minority interests	-	-	-

31 December 2021

(In thousands of Euro)	Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Ferragamo Retail HK Limited	Ferragamo Japan K.K.
Non current assets	33,679	30,985	12,615
Current assets	137,897	15,248	58,320
Non current liabilities	13,253	17,645	20,640
Current liabilities	50,383	51,057	73,359
Shareholders' equity	107,940	(22,469)	(23,064)
Minority interests	**26,940**	**(6,720)**	**(6,689)**
Revenues	195,037	19,759	89,437
Profit for the year	25,384	(13,668)	(4,339)
Net profit/(loss) – minority interests	**6,346**	**(3,417)**	**(1,258)**
Total comprehensive income for the period	25,384	(13,668)	(4,104)
Comprehensive income attributed to minority interests	**6,346**	**(3,417)**	**(1,190)**
Net cash from/(used in) operating activities	34,753	1,320	14,481
Net cash from/(used in) investing activities	(6,072)	(826)	(1,573)
Net cash from/(used in) financing activities	(13,904)	(870)	(9,978)
Increase/(decrease) in cash and cash equivalents	**14,777**	**(376)**	**2,930**
Dividends paid to minority interests	**-**	**-**	**-**

IFRS 12 requires disclosure if there are legal, contractual and/or regulatory requirements as well as minority interest protection rights that may in some cases limit the Group's ability to access the assets or use them and cancel liabilities of the Group. An analysis of these cases does not show significant restrictions.

2.4.2 Translation of financial statements in currencies other than the Euro and of items denominated in foreign currency

The consolidated financial statements are expressed in Euro, which is the functional and presentation currency adopted by the Parent company. Every Group company establishes its own functional currency, which is used to value the items included in the individual reports.

Transactions in foreign currency are initially recorded at the exchange rate in force at the transaction date (referred to the functional currency). Monetary assets and liabilities, which are denominated in foreign currency, are translated into the functional currency at the exchange rate in force at the reporting date.

All exchange rate differences are recorded in the income statement.

Non-monetary items which are valued at historic cost and denominated in foreign currencies are translated by using the exchange rates in force at the date of initial recognition of the transaction.

The exchange rates used to determine the value in Euro of subsidiaries' financial statements expressed in foreign currency were (to 1 Euro) as follows:

	Average exchange rates		Exchange rates at the end of the reporting period	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
US Dollar	1.0530	1.1827	1.0666	1.1326
Swiss Franc	1.0047	1.0811	0.9847	1.0331
Japanese Yen	138.0274	129.8767	140.6600	130.3800
Pound Sterling	0.8528	0.8596	0.8869	0.8403
Australian Dollar	1.5167	1.5749	1.5693	1.5615
South Korean Won	1358.0683	1354.0595	1344.0860	1346.3843
Hong Kong Dollar	8.2451	9.1932	8.3163	8.8333
Mexican Peso	21.1869	23.9852	20.8560	23.1438
New Taiwanese Dollar	31.3145	33.0231	32.8012	31.4393
Singapore Dollar	1.4512	1.5891	1.4300	1.5279
Thai Baht	36.8562	37.8368	36.8350	37.6530
Malaysian Ringgit	4.6279	4.9015	4.6984	4.7184
Indian Rupee	82.6864	87.4392	88.1710	84.2292
Macau Pataca	8.4900	9.4680	8.5766	9.1131
Chinese Renminbi	7.0788	7.6282	7.3582	7.1947
Chilean Peso	916.8340	898.2143	915.7677	965.5679
Argentine Peso	137.0036	112.4964	189.1890	116.4905
Brazilian Real	5.4399	6.3779	5.6386	6.3101
Canadian Dollar	1.3695	1.4826	1.4440	1.4393

At the reporting date, the assets and liabilities of Group companies are converted into the Group's presentation currency (the Euro) at the exchange rate in force on that date, and their income statement is converted using the average exchange rate for the period. Translation differences are recorded directly under shareholders' equity, are shown separately in a specific reserve and are recognized in the statement of comprehensive income. On disposal of a particular foreign company, the accumulated translation differences which have been recorded as component of the statement of comprehensive income for that particular foreign company are recorded in the income statement.

Any goodwill resulting from the acquisition of a foreign company and any adjustment to fair value of the book values of assets or liabilities arising from the acquisition of that foreign company are recognized as assets and liabilities of the foreign company, are expressed in the functional currency of the foreign company and are translated at the exchange rate in force at the end of the period.

3. Management of financial risks (IFRS 7)

The Salvatore Ferragamo Group is exposed in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit (or counterparty) risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines established by the Parent company, in compliance with the goals set centrally by the Board of Directors. This enables the control and coordination of the operations of the individual subsidiaries, also through more effective financial planning and control, the systematic monitoring of the Group's levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions. In accordance with these directives, the Group specifically controls the management of individual financial risks and intervenes to contain their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks and other financial payables, and lease liabilities following the introduction of the accounting standard IFRS 16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

The Salvatore Ferragamo Group is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. Group companies use third-party financial resources largely in the form of floating rate bank debt and deploy the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Group's financial charges and income, and not their fair value.

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (Euribor/Libor) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are used with reference banks in short-term time deposit transactions, referring to the Euribor/Libor/SOFR rate for the period or the benchmark of the investment currency on the specific interbank market, in cash-pooling structures or in inter-company loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty *risk* and the impact of financial charges.

The company Salvatore Ferragamo S.p.A., with a view to moderately diversifying the management of its cash, made an insurance investment in a readily adjustable Type I policy.

As part of the general policy of optimizing financial resources, the aim is to find a balance between companies with surplus liquidity and others with financial requirements, using the least costly forms of financing.

Sensitivity to interest rate risk is monitored at Group level, by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates. At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Group make use of such derivatives in the previous year.

The sensitivity analysis of the interest rate risk to which the Group is exposed was undertaken by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2022 and 2021, considering the amounts of sensitive assets and liabilities, interest rate trends and the relevant market volatility, showed no contingent gains and losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates continues having a minor impact on the Group's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency. In particular, the exchange rate risk can be classified based on the nature of the exposure and of the relevant effects:

- on operating results, due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk);
- on the consolidated financial statements, operating result and shareholders' equity, due to the translation of assets and liabilities of companies which prepare their financial statements in a different currency from the Group's functional currency (translation risk).

The Group operates internationally and therefore is exposed to risks arising from exchange rate fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The functional and presentation currency for the Group's financial data is the Euro.

In accordance with IFRS, for companies whose presentation currency is different from the Group's functional currency:

- income statements are translated into Euro at the average exchange rate for the period; if revenues and margins are equal in local currency, exchange rate changes may affect the value in Euro of revenues, costs and operating results;
- assets and liabilities are translated into Euro at the year-end exchange rate and therefore may have different values as a consequence of exchange rate movements. This change has an impact on shareholders' equity, where it is reclassified under 'Translation reserve', and is recorded in the statement of comprehensive income.

Besides absolute amounts, capital ratios may also vary, if the proportions between profit, assets, debt and shareholders' equity in the various currencies change due to exchange rate changes.
It is not the Group's policy to hedge its exposure to translation exchange risk.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement. In keeping with the exchange rate risk management policy adopted in recent years, the Group manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established at Corporate level, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US Dollar and Chinese Renminbi. In the year ended 31 December 2022, around 40% of the Company's net revenues were denominated in US Dollars, around 10% in Chinese Renminbi, around 6% in Japanese Yen, around 5% in South Korean Won, and around 4% in Mexican Peso. In the year ended 31 December 2021, the percentage of net revenues realized by the Company in US Dollars was around 35% of net revenues, in Chinese Renminbi around 14%, in South Korean Won around 6%, in Japanese Yen around 5%, and in Mexican Peso around 4%. The currency risks originate mainly from exports of the Company in US Dollars, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

In seeking ever greater efficiency and more specific control of risks, and also following the increase in the Group's investments in distribution companies operating in the strategic markets of the Far East, exchange rate risk management is centralized at the Parent company. Goods transferred for consideration to subsidiaries are settled directly in the currency of the country where they operate and sell. In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. In particular, the Group is exposed to changes in the exchange rate between the Euro and the US Dollar, in relation both to sales in Dollars on the North American market and on few other markets, mainly Asian ones.

In this context, the Group is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Parent company (as a manufacturing company) enters into currency forward contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Group covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. In this way the company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

To the above operations we may add residual operations of some Asian and Latin American subsidiaries which make purchases of goods in US Dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are significantly lower than those of the Parent company.

In addition, the Group controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Parent company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the cash flow hedge reserve for the years ended 31 December 2022 and 31 December 2021:

Exchange rate risk

(In thousands of Euro)	2022	2021
Opening balance	**(8,426)**	**6,740**
+ increases for recognition of new positive effectiveness	14,430	1,718
- decreases for recognition of new negative effectiveness	(22,173)	(17,216)
- decreases due to the transfer of effectiveness from the cash flow hedge reserve and recognition of income in profit or loss	(3,554)	(6,847)
+ increases due to the transfer of effectiveness from the cash flow hedge reserve and recognition of cost in profit or loss	29,218	7,179
Closing balance	**9,495**	**(8,426)**

Overall, the reserve, which consists of the value changes in hedges for expected transactions in foreign currency, increased by 17,921 thousand Euro during 2022, whereas it had declined by 15,166 thousand Euro in 2021. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the US Dollar, as the single currency depreciated sharply in the first nine months of the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a negative total of 25,664 thousand Euro in 2022, compared to a negative 332 thousand Euro in 2021. In 2022, no hedge was interrupted due to the cancellation of the expected underlying value; hedges were one hundred percent effective for the whole duration of the underlying asset.

A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Group held at the end of 2022 and 2021. The number of foreign currencies in the table shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items): Financial recognition

31 December 2022

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	22,000	65,000	86,000	79,000	-	**252,000**
Average forward exchange rate (EUR/USD)	1.142	1.130	1.074	1.026	-	
Notional amount in AUD	-	-	-	-	-	-
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	1,500	1,000	2,000	-	**4,500**
Average forward exchange rate (EUR/CAD)	-	1.370	1.353	1.359	-	
Notional amount in CHF	-	-	-	-	-	-
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	80,000	140,000	100,000	140,000	-	**460,000**
Average forward exchange rate (EUR/CNY)	7.360	7.294	7.265	7.047	-	
Notional amount in GBP	-	-	250	1,000	-	**1,250**
Average forward exchange rate (EUR/GBP)	-	-	0.887	0.901	-	
Notional amount in HKD	4,000	21,000	5,000	8,000	-	**38,000**
Average forward exchange rate (EUR/HKD)	8.854	8.800	8.175	8.107	-	
Notional amount in JPY	500,000	1,200,000	1,050,000	800,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	129.656	133.220	137.817	137.278	-	
Notional amount in KRW	5,000,000	13,000,000	10,000,000	14,000,000	4,000,000	**46,000,000**
Average forward exchange rate (EUR/KRW)	1,371.400	1,367.402	1,354.036	1,383.503	1,382.500	
Notional amount in MXN	40,000	140,000	40,000	210,000	-	**430,000**
Average forward exchange rate (EUR/MXN)	23.570	23.790	23.455	22.112	-	
Notional amount in SGD	-	-	-	-	-	-
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2021

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	21,000	50,000	66,000	60,500	48,000	**245,500**
Average forward exchange rate (EUR/USD)	1.207	1.192	1.182	1.181	1.169	
Notional amount in AUD	-	-	-	-	-	-
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	-	-	-	-	-
Average forward exchange rate (EUR/CAD)	-	-	-	-	-	
Notional amount in CHF	-	-	-	-	-	-
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	75,000	90,000	120,000	140,000	30,000	**455,000**
Average forward exchange rate (EUR/CNY)	7.982	8.010	7.885	7.886	7.501	
Notional amount in GBP	-	-	-	-	-	-
Average forward exchange rate (EUR/GBP)	-	-	-	-	-	
Notional amount in HKD	16,000	15,000	15,500	24,000	4,000	**74,500**
Average forward exchange rate (EUR/HKD)	9.366	9.368	9.275	9.160	8.937	
Notional amount in JPY	200,000	1,350,000	1,300,000	750,000	600,000	**4,200,000**
Average forward exchange rate (EUR/JPY)	128.126	129.817	129.660	128.731	131.720	
Notional amount in KRW	5,500,000	10,500,000	10,000,000	12,000,000	4,000,000	**42,000,000**
Average forward exchange rate (EUR/KRW)	1,368.800	1,358.918	1,359.918	1,387.931	1,370.634	
Notional amount in MXN	-	90,000	190,000	110,000	20,000	**410,000**
Average forward exchange rate (EUR/MXN)	-	25.938	25.243	25.485	25.120	
Notional amount in SGD	-	-	-	-	-	-
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

Cash flow analysis (hedged items): Impact on the income statement

31 December 2022

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**183,000**	89,000	91,000	3,000	-	-
Sales expected in JPY	**3,050,000**	1,200,000	1,350,000	500,000	-	-
Sales expected in GBP	**1,250**	-	750	500	-	-
Sales expected in MXN	**250,000**	40,000	210,000	-	-	-
Sales expected in CHF	-	-	-	-	-	-
Sales expected in AUD	-	-	-	-	-	-
Sales expected in CAD	**3,500**	500	3,000	-	-	-
Sales expected in CNY	**350,000**	170,000	150,000	30,000	-	-
Sales expected in HKD	**30,000**	17,000	13,000	-	-	-
Sales expected in SGD	-	-	-	-	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

31 December 2021

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**188,500**	64,500	70,000	48,000	6,000	-
Sales expected in JPY	**4,000,000**	1,950,000	1,000,000	850,000	200,000	-
Sales expected in GBP	-	-	-	-	-	-
Sales expected in MXN	**320,000**	190,000	110,000	20,000	-	-
Sales expected in CHF	-	-	-	-	-	-
Sales expected in AUD	-	-	-	-	-	-
Sales expected in CAD	-	-	-	-	-	-
Sales expected in CNY	**330,000**	130,000	130,000	70,000	-	-
Sales expected in HKD	**51,500**	19,500	17,000	15,000	-	-
Sales expected in SGD	-	-	-	-	-	-
Sales expected in KRW	**31,500,000**	11,500,000	12,000,000	8,000,000	-	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US Dollar, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2022 as well as 31 December 2021. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2022 and 2021.

Below is the impact of the hedged items on the statement of financial position:

Expected highly probable sales

			Carrying amount	
(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Line item "other current assets"	Line item "other current liabilities"
31 December 2022	287,034	9,495	6,595	(2,685)
31 December 2021	286,031	(8,426)	299	(10,521)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Group's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short- and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with the requirements of IFRS 7 and therefore does not take into account the effects arising from the translation of financial statements of foreign companies whose functional currency is different from the Euro. Exchange rates were considered for currencies whose changes generate an impact on the income statement and shareholders' equity, in absolute terms, of over one million Euro.

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	10.8%	Derivatives	4,029	2,119
			Non-derivatives	(51)	-
	EUR/USD	8.1%	Derivatives	4,566	12,855
			Non-derivatives	(1,040)	-
	EUR/KRW	8.6%	Derivatives	705	1,999
			Non-derivatives	(2)	-
	EUR/CNY	6.3%	Derivatives	883	2,808
			Non-derivatives	(426)	-
	EUR/MXN	12.5%	Derivatives	1,300	1,336
			Non-derivatives	(63)	-
	EUR/SGD	5.9%	Derivatives	2,068	-
			Non-derivatives	(7)	-
	USD/KRW	10.8%	Derivatives	-	-
			Non-derivatives	1,209	-
Total				**13,171**	**21,117**

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(10.8%)	Derivatives	(5,008)	(2,633)
			Non-derivatives	62	-
	EUR/USD	(8.1%)	Derivatives	(5,371)	(15,121)
			Non-derivatives	1,202	-
	EUR/KRW	(8.6%)	Derivatives	(838)	(2,374)
			Non-derivatives	2	-
	EUR/CNY	(6.3%)	Derivatives	(1,001)	(3,184)
			Non-derivatives	478	-
	EUR/MXN	(12.5%)	Derivatives	(1,674)	(1,719)
			Non-derivatives	80	-
	EUR/SGD	(5.9%)	Derivatives	(2,328)	-
			Non-derivatives	7	-
	USD/KRW	(10.8%)	Derivatives	-	-
			Non-derivatives	(1,209)	-
Total				**(15,598)**	**(25,031)**

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.0%	Derivatives	3,373	2,014
			Non-derivatives	(144)	-
	EUR/USD	5.6%	Derivatives	2,669	8,826
			Non-derivatives	(108)	-
	EUR/KRW	7.6%	Derivatives	605	1,653
			Non-derivatives	(27)	
	EUR/CNY	4.3%	Derivatives	712	1,880
			Non-derivatives	(124)	-
	EUR/MXN	11.2%	Derivatives	1,001	1,393
			Non-derivatives	(194)	-
	EUR/SGD	4.4%	Derivatives	1,364	-
			Non-derivatives	4	-
	USD/KRW	6.5%	Derivatives	-	-
			Non-derivatives	751	-
Total				**9,882**	**15,766**

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
NEGATIVE CHANGE	EUR/JPY	(7.0%)	Derivatives	(3,883)	(2,318)
			Non-derivatives	166	-
	EUR/USD	(5.6%)	Derivatives	(2,986)	(9,874)
			Non-derivatives	116	-
	EUR/KRW	(7.6%)	Derivatives	(704)	(1,924)
			Non-derivatives	31	-
	EUR/CNY	(4.3%)	Derivatives	(776)	(2,048)
			Non-derivatives	134	-
	EUR/MXN	(11.2%)	Derivatives	(1,253)	(1,744)
			Non-derivatives	243	-
	EUR/SGD	(4.4%)	Derivatives	(1,488)	-
			Non-derivatives	(3)	-
	USD/KRW	(6.5%)	Derivatives	-	-
			Non-derivatives	(751)	-
Total				**(11,154)**	**(17,908)**

As the above table shows, a positive change in the listed exchange rates (EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/SGD, and USD/KRW) would have resulted in a 13,171 thousand Euro profit and 9,882 thousand Euro profit as at 31 December 2022 and 31 December 2021, respectively; a negative change in exchange rates would have caused a 15,598 thousand Euro loss and 11,154 thousand Euro loss as at 31 December 2022 and 31 December 2021, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 21,117 thousand Euro and 15,766 thousand Euro as at 31 December 2022 and 31 December 2021, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 25,031 thousand Euro and 17,908 thousand Euro as at 31 December 2022 and 31 December 2021, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Group shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the cash flow hedge reserve and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on equity in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Group cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Group's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash. Liquidity needs or surpluses are monitored on a daily basis by the Parent company in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Parent company with the aim of satisfying the short and medium-term needs of the Group's individual companies according to efficiency and cost-effectiveness criteria. As at 31 December 2022, committed credit lines totaling 365,000 thousand Euro, fully available in one or more instalments (revolving), were outstanding with several bank counterparties. As at the same date, there were also uncommitted short-term credit lines relating to the Parent company and some of its subsidiaries totaling 447,058 thousand Euro.

As at 31 December 2022, the Group had unused committed credit lines (as revolving credit lines or term loans) amounting to 365,000 thousand Euro and uncommitted lines totaling 417,852 thousand Euro, against gross debt of 29,206 thousand Euro and an adjusted net financial position amounting to a surplus of 371,249 thousand Euro (204,074 thousand Euro debt when considering also lease liabilities in accordance with IFRS 16). As at 31 December 2022, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of twenty-four months. The credit lines and the related financial business are spread among leading national and international banks. As at the reporting date, their maximum use is below one year. In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant that was comfortably complied with as at 31 December 2022. For more details, see note 20 Interest-bearing loans & borrowings - Limitations on the use of financial resources.

It has always been the Group's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. During 2022, the Group's policy was to use a significant part of its cash surpluses in time-deposit investments, as well as to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt and the related financial charges.

Always in order to curb its bank debt, in 2022 the Group made early repayments totaling 85 million Euro on one of the main outstanding medium/long-term loans.

Cash surpluses are used with reference banks in short-term (usually between one day and twelve months) time deposit transactions, referring to the Euribor/Libor/SOFR rate for the period or the benchmark of the investment currency on the specific interbank market. Liquidity investments are carried out with the prime objectives of making resources available at short notice (in the event of maturities longer than three months, the relevant contracts allow promptly liquidating them without penalties) and neutralizing the risk of capital losses, avoiding speculative transactions. Moreover, Salvatore Ferragamo S.p.A. made an insurance investment in a readily adjustable Type I policy for 10,000 thousand Euro, with a view to moderately diversifying its cash management.

In 2022, with the aim of more efficient cash and liquidity management at Group level, Salvatore Ferragamo S.p.A. also entered into a cash pooling agreement with a number of subsidiaries.

These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Group has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's capacity to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines allowed the Group to calmly face the most turbulent market phases and volatility in credit flows. The total financial position of each company and that of the Group overall is measured every month, and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Group to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

31 December 2022

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	165,065	8,951	-	-	174,016
Payables to banks	29,343	-	-	-	29,343
Payables due to shareholders for dividends	2	-	-	-	2
Lease liabilities	31,888	86,820	356,035	158,934	633,677
Guarantee deposits	171	-	70	184	425
Derivatives – non-hedging component	1,179	-	-	-	1,179
Derivatives – hedging component	5,335	2,057	-	-	7,392
Total	**232,983**	**97,828**	**356,105**	**159,118**	**846,034**

31 December 2021

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	178,983	4,809	-	-	183,792
Payables to banks	64,743	11,290	64,458	-	140,491
Lease liabilities	31,803	87,483	347,011	183,656	649,953
Guarantee deposits	74	22	184	110	390
Derivatives – non-hedging component	676	6	-	-	682
Derivatives – hedging component	6,359	10,897	-	-	17,256
Total	**282,638**	**114,507**	**411,653**	**183,766**	**992,564**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months.
In 2022, payables to banks had a maximum residual maturity below 3 months.

The reported financial assets have a shorter remaining life, as they mostly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Group's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties. The Group's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables. The Group's exposure to trade credit risk refers to wholesale sales and receivables associated with licensing and rental income investment property revenues, which combined represent nearly 28.3 percent of global turnover; the rest refers to retail sales, which are paid with cash or credit and debit cards at the time of purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less. The Group generally favors trade dealings with customers with whom it has well-established and consolidated relations. It is the Group's policy to check credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers helps to further mitigate the risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency, historical data, and forecast economic conditions.

Besides obtaining, where possible, guarantees from wholesale customers or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, another instrument used to manage commercial credit risk is the subscription of insurance policies, with the aim of preventing the risk of non-payment through careful selection of the customer portfolio jointly with the insurance companies, which agree to guarantee payment of the indemnity in the case of insolvency.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Group manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations and by diversifying the accounting currency of surplus cash.

The Group negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Group's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

	31 December 2022		31 December 2021	
(In thousands of Euro)	**Current portion**	**Non current portion**	**Current portion**	**Non current portion**
Receivables and loans				
Trade receivables	94,490	-	112,670	-
Receivables due from credit cards	15,576	-	12,359	-
Cash and cash equivalents	391,354	-	511,796	-
Guarantee deposits	-	15,570	-	15,659
Other current financial assets	9,999	-	-	-
Derivatives	7,507	-	922	-
Total	**518,926**	**15,570**	**637,747**	**15,659**

The table shows how the Group's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 31 December 2022 and 31 December 2021, and is almost exclusively limited to the current portion. The non current portion refers entirely to the item 'Guarantee deposits', which mainly includes the cash deposits made by various entities for property lease contracts and is recognized at nominal value.

(In thousands of Euro)	31 December 2022	%	31 December 2021	%
Italy	15,043	15.9%	22,336	19.8%
Europe	10,287	10.9%	12,804	11.4%
North America	19,143	20.3%	15,544	13.8%
Japan	6,778	7.2%	7,622	6.8%
Asia Pacific	35,074	37.1%	47,718	42.3%
Central and South America	8,165	8.6%	6,646	5.9%
Total	**94,490**	**100.0%**	**112,670**	**100.0%**

The table shows the concentration of commercial credit risk by geographic area of the Group activity in the two years under review.

(In thousands of Euro)	Receivables neither past due nor impaired	Receivables past due but not impaired					Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	
31 December 2022	82,535	7,223	2,211	1,082	423	1,016	**94,490**
31 December 2021	105,456	4,204	1,091	560	74	1,285	**112,670**
Figures in % as at 31 December 2022	87.3%	7.7%	2.3%	1.1%	0.5%	1.1%	**100.0%**
Figures in % as at 31 December 2021	93.6%	3.7%	1.0%	0.5%	0.1%	1.1%	**100.0%**

The analysis carried out on the maturity dates of receivables which are past due but not impaired shows they are concentrated within thirty days for the years ended 31 December 2022 and 31 December 2021.

The concentration of sales to the main customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the contents in the specific section above:

Concentration of market risk	2022	2021
Percentage of revenues with the biggest customer	1.9%	1.7%
Percentage of revenues with the 3 biggest customers	4.7%	4.9%
Percentage of revenues with the 10 biggest customers	10.7%	12.0%

Capital management

The main objective of the Group's capital management activity is to ensure that a solid credit rating as well as adequate levels of equity indicators are maintained in order to support business and optimize value for shareholders. The Group manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Group can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2022 and 2021.

To this end, the Group's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.

The Group includes under net debt, interest-bearing loans, lease liabilities, other financial payables, trade and other payables, net of cash and cash equivalents.

Other financial payables include agreements for the purchase of minority interests (reference should be made to note 41 Put and call agreements on minority interests), although these amounted to zero as at 31 December 2022 and 31 December 2021.

The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2022	31 December 2021
Interest-bearing loans	29,264	139,120
Lease liabilities	575,323	597,242
Other financial payables	-	-
Trade and other payables (net of hedging derivatives)	245,665	227,515
Cash and cash equivalents	391,354	511,796
Net debt	**458,898**	**452,081**
Group shareholders' equity (net of the cash flow hedge reserve)	744,594	770,717
Minority interests	23,599	21,566
Shareholders' equity (net of the cash flow hedge reserve)	**768,193**	**792,283**
Shareholders' equity and net debt	**1,227,091**	**1,244,364**
Net debt/Shareholders' equity	**59.7%**	**57.1%**

4. Business combinations and purchases of minority interests

During 2022 there were no business combinations.
On 27 July 2022, Salvatore Ferragamo S.p.A. subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2022 and 2021 is shown in the following table:

	31 December 2022			31 December 2021		
(In thousands of Euro)	Historical Cost	Acc. amortization and Impairment	Net value	Historical Cost	Acc. amortization and Impairment	Net value
Land	29,613	-	29,613	29,371	-	29,371
Buildings	100,277	45,127	55,150	98,960	42,280	56,680
Plant and equipment	59,086	45,030	14,056	57,626	40,485	17,141
Industrial and commercial equipment	130,273	108,300	21,973	124,940	104,632	20,308
Other assets	83,051	74,511	8,540	79,773	71,281	8,492
Leasehold improvements	293,632	239,699	53,933	290,761	243,845	46,916
Fixed assets in progress and payments on account	8,299	-	8,299	7,946	-	7,946
Total	**704,231**	**512,667**	**191,564**	**689,377**	**502,523**	**186,854**

The following tables show the changes in property, plant and equipment for the years ended 31 December 2022 and 2021.

(In thousands of Euro)	Value at 01.01.2022	Translation diff.	Additions	Disposals	Depreciation	Reclass.	Impairment	Value at 31.12.2022
Land	29,371	242	-	-	-	-	-	29,613
Buildings	56,680	237	842	(6)	(2,603)	-	-	55,150
Plant and equipment	17,141	2	1,529	-	(4,616)	-	-	14,056
Industrial and commercial equipment	20,308	268	10,074	(481)	(8,045)	(68)	(83)	21,973
Other assets	8,492	45	4,460	(47)	(4,478)	68	-	8,540
Leasehold improvements	46,916	911	25,487	(727)	(18,351)	-	(303)	53,933
Fixed assets in progress and payments on account	7,946	254	9,126	(9,027)	-	-	-	8,299
Total	**186,854**	**1,959**	**51,518**	**(10,288)**	**(38,093)**	-	**(386)**	**191,564**

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Depreciation	Reclass.	Impairment	Assets disposed	Value at of 31.12.2021
Land	29,144	227	-	-	-	-	-	-	29,371
Buildings	58,719	315	520	-	(2,874)	-	-	-	56,680
Plant and equipment	21,361	8	714	-	(4,942)	-	-	-	17,141
Industrial and commercial equipment	21,697	1,000	8,076	(294)	(7,459)	-	(37)	(2,675)	20,308
Other assets	10,647	143	2,774	(39)	(5,033)	-	-	-	8,492
Leasehold improvements	35,898	2,086	27,016	(471)	(17,585)	(28)	-	-	46,916
Fixed assets in progress and payments on account	5,655	448	11,138	(9,295)	-	-	-	-	7,946
Total	**183,121**	**4,227**	**50,238**	**(10,099)**	**(37,893)**	**(28)**	**(37)**	**(2,675)**	**186,854**

The increase, net of the decrease in Fixed assets in progress and payments on account:

- in "Buildings" and "Plant and equipment" largely refers to improvements implemented during 2022 at the Osmannoro – Sesto Fiorentino facility, owned by Salvatore Ferragamo S.p.A., and the property owned by Ferragamo USA Inc.;
- in "Industrial and commercial equipment" mainly refers to the opening and renovation of stores (10,074 thousand Euro);
- in "Other assets" mainly refers to IT equipment (3,444 thousand Euro) and furniture and furnishings (882 thousand Euro);
- in "Leasehold improvements" refers mainly to work carried out for the opening or refurbishment of stores;
- in "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on account made for the renovation and opening of stores not yet operational as at the reporting date and to the carrying-out of improvements at the Osmannoro – Sesto Fiorentino facility of Salvatore Ferragamo S.p.A., including the fitting out of a new Ready-To-Wear atelier department.

The increase in Tangible assets under Leasehold improvements (recognized against the Provision for future operating risks and charges, note 21) included the costs for the restoration of premises leased from third parties, which amounted to 883 thousand Euro in 2022 (4,476 thousand Euro in 2021).

Disposals mainly refer to assets (not fully depreciated) relating to stores which have been renovated or closed during the year.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources, considering also the impairment losses recognized as at 31 December 2020 on Property, plant and equipment after testing the assets for impairment. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. The Group constantly monitors the latest government regulations on climate-related topics. At the moment, no law that materially affects the Group has been passed; should a change become necessary, the Group will adjust the key assumptions used in estimates. The decrease in the item "Industrial and commercial equipment" and "Leasehold improvements", totaling Euro 386 thousand, represents the impairment recorded on tangible assets of a store in relation to its forthcoming closure. From the analyses carried out no need emerged to recognize any further impairment or revaluations on these items.

6. Investment property

The breakdown of the item as at 31 December 2022 and 2021 is set out in the following table:

	31 December 2022			31 December 2021		
(In thousands of Euro)	Historical Cost	Acc. amortization	Net value	Historical Cost	Acc. amortization	Net value
Land	5,247	-	5,247	4,942	-	4,942
Buildings	12,359	12,254	105	11,639	11,402	237
Right-of-use assets - Buildings	104,975	82,580	22,395	98,858	73,814	25,044
Total	**122,581**	**94,834**	**27,747**	**115,439**	**85,216**	**30,223**

Investment property refers entirely to buildings located in the United States.

Please note that the right-of-use assets qualifying as investment property are classified in this line item and amounted to 22,395 thousand Euro as at 31 December 2022.

The following tables show the change in investment property for the years ended 31 December 2022 and 2021:

(In thousands of Euro)	Value at 01.01.2022	Translation difference	Additions	Depreciation	Value at 31.12.2022
Land	4,942	305	-	-	5,247
Buildings	237	17	-	(149)	105
Right-of-use assets - Buildings	25,044	1,604	-	(4,253)	22,395
Total	**30,223**	**1,926**	**-**	**(4,402)**	**27,747**

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Depreciation	Value at 31.12.2021
Land	4,561	381	-	-	4,942
Buildings	498	29	-	(290)	237
Right-of-use assets - Buildings	26,765	2,065	-	(3,786)	25,044
Total	**31,824**	**2,475**	**-**	**(4,076)**	**30,223**

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Group operates, while internal sources are corporate strategies which can change the use of assets. From the analyses carried out no need emerged to record any impairment on this item.

In addition, the Group periodically assesses the fair value of investment property recorded in the financial statements; on the basis of these estimates, the fair values are higher than the book values.

7. Goodwill

The amount of Goodwill was entirely acquired in 2020 through the business combination of Arts S.r.l. and Aura 1 S.r.l. and is attributable to the synergies and other economic benefits arising from the combination of the assets of the acquirees with those of Salvatore Ferragamo S.p.A., with respect to the design and manufacturing of men's footwear. Net of the fair value of the assets acquired and liabilities assumed, the residual amount allocated to goodwill arising from the acquisition totaled 6,679 thousand Euro. This item was unchanged in 2022.

	31 December 2022			31 December 2021		
(In thousands of Euro)	**Historical Cost**	**Impairment**	**Net value**	**Historical Cost**	**Impairment**	**Net value**
Goodwill	6,679	-	6,679	6,679	-	6,679
Total	**6,679**	**-**	**6,679**	**6,679**	**-**	**6,679**

The following table shows the change in goodwill for the years ended 31 December 2022 and 2021:

(In thousands of Euro)	**Value at 01.01.2022**	**Additions**	**Disposals**	**Value at 31.12.2022**
Goodwill	6,679	-	-	6,679
Total	**6,679**	**-**	**-**	**6,679**

(In thousands of Euro)	**Value at 01.01.2021**	**Additions**	**Disposals**	**Value at 31.12.2021**
Goodwill	6,679	-	-	6,679
Total	**6,679**	**-**	**-**	**6,679**

As required by the procedure for analyzing impairment indicators adopted by the Group, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Group considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2022, the Group's market capitalization comfortably exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow- DCF analysis).

The DCF analysis was prepared using for 2023 the budget (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 13 December 2022) and for the following two years of explicit forecast (2024 - 2025) the strategic plan (approved by the Board of Directors of Salvatore Ferragamo S.p.A., the highlights of which were presented to the market on 10 May 2022) and which represent the Group's best estimate of the economic conditions expected for the period.

The main assumptions to determine the recoverable amount are given below:

- Growth rate "g": 2.03%, which was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 10.19% considering the Group's positive adjusted net financial position (surplus), it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" and represents the present value, in the final projected year, of all the expected future cash flows.

From the analyses carried out no need emerged to record any impairment on this item.

The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

8. Right-of-use assets

The following table shows the breakdown of Right-of-use assets as at 31 December 2022 and 2021:

	31 December 2022			31 December 2021		
(In thousands of Euro)	Historical Cost	Acc. amortization	Net value	Historical Cost	Acc. amortization	Net value
Buildings	833,408	355,907	477,501	812,842	314,910	497,932
Vehicles	5,220	3,007	2,213	4,334	2,298	2,036
Equipment and other assets	494	484	10	788	709	79
Total	**839,122**	**359,398**	**479,724**	**817,964**	**317,917**	**500,047**

The following table shows the changes in right-of-use assets for the years ended 31 December 2022 and 2021.

(In thousands of Euro)	Value at 01.01.2022	Translation difference	Additions	Decrease	Depreciation	Value at 31.12.2022
Buildings	497,932	8,033	101,751	(15,687)	(114,528)	477,501
Vehicles	2,036	4	1,648	(37)	(1,438)	2,213
Equipment and other assets	79	-	21	1	(91)	10
Total	**500,047**	**8,037**	**103,420**	**(15,723)**	**(116,057)**	**479,724**

(In thousands of Euro)	Value at 01.01.2021	Translation difference	Additions	Decrease	Depreciation	Value at 31.12.2021
Buildings	472,291	21,615	119,789	(10,928)	(104,835)	497,932
Vehicles	2,606	4	919	(5)	(1,488)	2,036
Equipment and other assets	343	1	2	-	(267)	79
Total	**475,240**	**21,620**	**120,710**	**(10,933)**	**(106,590)**	**500,047**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 92% of right-of-use assets - Buildings) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases entered into during the period—largely concerning stores—whereas the most significant declines relate to leases that were either terminated early or for which the Group negotiated a reduction in future lease payments.

The increase in Right-of-use assets - Buildings, recognized against the Provision for future operating risks and charges (note 21), included the costs for the restoration of premises leased from third parties under leases that fall within the scope of IFRS 16, which amounted to 699 thousand Euro in 2022 (933 thousand Euro in 2021). Moreover, it should be noted that the increase in Right-of-use assets - Buildings includes the initial direct costs incurred in 2022 mainly by Ferragamo Brasil Roupas e Acessorios Ltda. (0.7 million Euro) to obtain a larger rented space in one of the stores in São Paulo.

For more details on cash outflows related to leases, see notes 24 Lease liabilities and 34 Breakdown by nature of income statement cost items.

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change decisions about the location of stores.

From the analyses carried out no need emerged to record any impairment on this item.

9. Intangible assets with a finite useful life

The breakdown of intangible assets with a finite useful life as at 31 December 2022 and 2021 is shown in the following table:

	31 December 2022			31 December 2021		
(In thousands of Euro)	Historical Cost	Acc. amortization and Impairment	Net value	Historical Cost	Acc. amortization and Impairment	Net value
Industrial patents and use of intellectual property rights	29,916	28,831	1,085	29,019	27,996	1,023
Concessions, licenses and trademarks	9,239	7,727	1,512	9,028	7,370	1,658
Development costs	95,323	73,619	21,704	85,028	63,928	21,100
Others	23,714	18,030	5,684	28,455	22,155	6,300
Intangible assets with a finite useful life in progress	4,918	-	4,918	3,342	-	3,342
Total	**163,110**	**128,207**	**34,903**	**154,872**	**121,449**	**33,423**

The following tables show the changes in intangible assets with a finite useful life for the years ended 31 December 2022 and 2021:

(In thousands of Euro)	Value at 01.01.2022	Translation diff.	Additions	Disposals	Amortization	Value at 31.12.2022
Industrial patents and use of intellectual property rights	1,023	(5)	826	(47)	(712)	1,085
Concessions, licenses and trademarks	1,658	-	211	-	(357)	1,512
Development costs	21,100	-	10,296	(2)	(9,690)	21,704
Others	6,300	52	607	(10)	(1,265)	5,684
Intangible assets with a finite useful life in progress	3,342	1	11,928	(10,353)	-	4,918
Total	**33,423**	**48**	**23,868**	**(10,412)**	**(12,024)**	**34,903**

(In thousands of Euro)	Value at 01.01.2021	Translation diff.	Additions	Disposals	Amortization	Reclass.	Impairment	Value at 31.12.2021
Industrial patents and use of intellectual property rights	2,034	17	344	-	(1,194)	28	(206)	1,023
Concessions, licenses and trademarks	1,686	-	340	-	(368)	-	-	1,658
Development costs	25,107	-	6,178	(1)	(10,184)	-	-	21,100
Others	7,265	74	285	-	(1,324)	-	-	6,300
Intangible assets with a finite useful life in progress	2,799	1	7,497	(6,955)	-	-	-	3,342
Total	**38,891**	**92**	**14,644**	**(6,956)**	**(13,070)**	**28**	**(206)**	**33,423**

In 2022, intangible assets with a finite useful life, net of the decrease in Intangible assets with a finite useful life in progress, rose mainly due to new investment in software application development costs (recognized under "Development costs") and software license costs (item "Industrial patents and use of intellectual property rights"), net of the amortization for the period.

The item "Development costs" mainly includes the capitalization of software development costs for the development of business software applications (SAP accounting system, ERP, reporting systems, development costs of the e-commerce platform and of a new SAP-based logistics/distribution system). As at 31 December 2022, the Group reported no intangible assets arising from internal development.

The item "Others" primarily includes the Know-how arising from the fair value measurement of the assets acquired and liabilities assumed in the business combination with Arts S.r.l. and Aura 1 S.r.l., which occurred in 2020 (net amount of 4,187 thousand Euro as at 31 December 2022); the item "Others" includes also to the so-called key money, i.e. the sums paid to obtain the use of leased property by taking over existing contracts or by obtaining the withdrawal of the lessees in such a way as to be able to enter into new contracts with the lessors (net amount of 399 thousand Euro as at 31 December 2022). The following table provides the breakdown by geographic area of the net book value of the key money item as at 31 December 2022 and 2021:

(In thousands of Euro)	31 December 2022	31 December 2021
Europe	399	424
North America	-	178
Total	**399**	**602**

As envisaged by the analysis procedure for impairment indicators adopted by the Group, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources, also as a result of the impairment losses recognized as at 31 December 2020 on Intangible assets with a finite useful life after testing the assets for impairment. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates. Internal sources are corporate strategies which can change the use of intellectual property and software, and with reference to key money, they consist of the economic benefit to the Group arising from the geographic area served by the store for which this cost has been incurred. From the analyses carried out no need emerged to recognize any impairment or revaluations on these items.

10. Other non current assets

The breakdown of the item "Other non current assets" as at 31 December 2022 and 31 December 2021 is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Due from tax authorities	2,292	1,915	377
Other non current assets	3,568	3,817	(249)
Total	**5,860**	**5,732**	**128**

Due from tax authorities mainly refer to the non current portion of the Research and Development, design and aesthetic conception, and technological innovation tax credit as well as the non-current portion of the Tax Credit for donations in support of cultural activities (known as "Art Bonus"), which the Parent company was eligible for.
The item "Other non current assets" mainly includes the long-term portion of the contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores for 2,757 thousand Euro (3,091 thousand Euro as at 31 December 2021), and the impact relating to the straight-line charging of lease income from operating leases in the USA for 811 thousand Euro (726 thousand Euro as at 31 December 2021), as provided for by the relevant standards.

11. Other non current financial assets

"Other non current financial assets", totaling 15,570 thousand Euro (15,659 thousand Euro as at 31 December 2021), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

12. Inventories

Inventories include the following categories:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Gross value of raw materials, accessories and consumables	25,566	41,069	(15,503)
Provision for obsolete inventory	(2,781)	(4,010)	1,229
Raw materials, accessories and consumables	**22,785**	**37,059**	**(14,274)**
Gross value of finished products and goods for resale	317,965	309,359	8,606
Provision for obsolete inventory	(65,427)	(71,852)	6,425
Finished products and goods for resale	**252,538**	**237,507**	**15,031**
Total	**275,323**	**274,566**	**757**

The change in raw materials compared to 2021 depends on production volumes for the period; the relevant provision reflects the obsolescence of raw materials (mainly leather goods and accessories) which are no longer deemed suitable for the production plans. Inventories of finished products were up 15,031 thousand Euro compared to 31 December 2021 (+6.3%). For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 “Basis of presentation” paragraph Discretionary valuations and significant accounting estimates.

Net (uses of) and/or allocations to the provision for obsolete inventory were as follows (net of the allocations / (uses) associated with the fragrances business – recognized under Net profit/(loss) from discontinued operation for the year 2021):

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Raw materials	(1,229)	(1,260)	31
Finished products	(7,475)	(6,930)	(545)
Total	**(8,704)**	**(8,190)**	**(514)**

13. Right of return assets

Concerning the right of return as per "Revenues from contracts with customers", the line item "Right of return assets", amounting to 5,703 thousand Euro (5,224 thousand Euro as at 31 December 2021), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery.

14. Trade receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Trade receivables	98,069	115,972	(17,903)
Provision for bad debt	(3,579)	(3,302)	(277)
Total	**94,490**	**112,670**	**(18,180)**

Trade receivables, largely related to wholesale sales, were down from 31 December 2021. They are interest-free and generally have a maturity of less than 90 days. The related provision for bad debt is considered adequate to meet any cases of insolvency. In addition, during the year the Group reported 384 thousand Euro in credit losses after writing off non-performing trade receivables.

The changes in the provision for bad debt during 2022 were as follows:

(In thousands of Euro)	Value at 01.01.2022	Translation difference	Provisions	Uses	Value at 31.12.2022
Provision for bad debt	3,302	84	850	(657)	3,579

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk".

15. Tax receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Due from tax authorities (value added tax and other taxes)	22,289	21,495	794
Due from tax authorities for direct taxes	8,292	6,017	2,275
Total	**30,581**	**27,512**	**3,069**

Tax receivables mainly refer to VAT receivables and amounts due from tax authorities for income taxes relating to advances paid during the year. They were up 3,069 thousand Euro year-on-year, primarily because of the increase in amounts due from tax authorities for income taxes.

16. Other current assets

The breakdown of other current assets is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Other receivables	24,875	22,255	2,620
Accrued income	281	253	28
Prepaid expenses	9,040	9,772	(732)
Short-term hedging derivatives	7,251	326	6,925
Total	**41,447**	**32,606**	**8,841**

As at 31 December 2022, other receivables mainly include:

- receivables due from credit card management companies for retail sales amounting to 15,576 thousand Euro (12,359 thousand Euro as at 31 December 2021);
- the Salvatore Ferragamo S.p.A. receivable, amounting to 2.3 million Euro, from the Tuscany Region and the Ministry of Economic Development, relating to the partial payment of Incentives for Sustainable Growth (I-SUCCEED project). For details on the project, please refer to the Board of Directors' report on operations, "Significant events occurred during the year" section;
- advances to suppliers amounting to 2,315 thousand Euro (2,331 thousand Euro as at 31 December 2021).

Prepaid expenses mainly include 4,172 thousand Euro in contributions to customers relating to the fit-out of tailored single brand stores and/or stores-in-stores, 1,031 thousand Euro in insurance premiums, and 102 thousand Euro in rents outside the scope of the new standard IFRS 16.

"Short-term hedging derivatives", amounting to 7,251 thousand Euro (326 thousand Euro as at 31 December 2021), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Parent company to manage exchange rate risk on sales in currencies other than the Euro.

17. Other current financial assets

The breakdown of the item "Other current financial assets" is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Derivatives	256	596	(340)
Other current financial assets	9,999	-	9,999
Total	**10,255**	**596**	**9,659**

"Other current financial assets", totaling 10,255 thousand Euro as at 31 December 2022, refers for 256 thousand Euro (596 thousand Euro as at 31 December 2021) to the fair value measurement of the non-hedging component of derivative instruments, and for 9,999 thousand Euro to an insurance investment in a readily adjustable Type I policy made by Salvatore Ferragamo S.p.A. with a view to moderately diversifying its cash management.

18. Cash and cash equivalents

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Time deposits	91,042	39,988	51,054
Bank and post office sight deposits	298,571	470,487	(171,916)
Cash and values on hand	1,741	1,321	420
Total	**391,354**	**511,796**	**(120,442)**

Time deposits at banks have maturities ranging from one day to twenty-four months and, in any case, can be promptly liquidated without penalties. Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments.

During 2022, the Group used a significant part of its cash surpluses in time-deposit investments, as well as to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt.

In 2022, with the aim of more efficient cash and liquidity management at Group level, Salvatore Ferragamo S.p.A. also entered into a cash pooling agreement with a number of subsidiaries.

Always in order to curb its bank debt, in 2022 the Group made early repayments totaling 85 million Euro on the main outstanding medium/long-term loans.

As at 31 December 2022, the Group had unused credit lines amounting to 782,852 thousand Euro; as at 31 December 2021, unused credit lines totaled 741,686 thousand Euro. For more details, see note 20 Interest-bearing loans & borrowings.

For the purposes of the consolidated statement of cash flows, the item "Cash and cash equivalents" as at 31 December 2022 and 2021 was broken down as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Cash and bank sight deposits	300,312	471,808	(171,496)
Time deposits	91,042	39,988	51,054
Total	**391,354**	**511,796**	**(120,442)**

Below is the reconciliation of the liabilities from financing activities as reported on the statement of cash flows for the years ended 31 December 2022 and 2021.

		Cash flow					
(In thousands of Euro)	Value at 01.01.2022	for principal repaid/ received	for interest paid/ received	Translation difference	New leases	Other non-cash changes	Value at 31.12.2022
Non current interest-bearing loans & borrowings	63,516	(62,879)	(664)	(637)	-	664	-
Current interest-bearing loans & borrowings (excluding bank overdrafts)	75,604	(46,386)	(637)	46	-	637	29,264
Non current lease liabilities	487,230	-	-	11,208	101,956	(131,657)	468,737
Current lease liabilities	110,012	(114,610)	(14,632)	1,805	-	124,011	106,586
Total liabilities from financing activities	**736,362**	**(223,875)**	**(15,933)**	**12,422**	**101,956**	**(6,345)**	**604,587**

		Cash flow					
(In thousands of Euro)	Value at 01.01.2021	for principal repaid/ received	for interest paid/ received	Translation difference	New leases	Other non-cash changes	Value at 31.12.2021
Other current financial assets	279	(291)	-	12	-	-	-
Total assets from financing activities	**279**	**(291)**	**-**	**12**	**-**	**-**	**-**
Non current interest-bearing loans & borrowings	129,302	(54,391)	(1,000)	(457)	-	(9,938)	63,516
Current interest-bearing loans & borrowings (excluding bank overdrafts)	56,698	7,239	(486)	730	-	11,423	75,604
Non current lease liabilities	464,400	-	-	22,814	119,782	(119,766)	487,230
Current lease liabilities	103,509	(100,669)	(13,754)	5,371	-	115,555	110,012
Total liabilities from financing activities	**753,909**	**(147,821)**	**(15,240)**	**28,458**	**119,782**	**(2,726)**	**736,362**

The column Cash flow for principal repaid, with respect to Current lease liabilities, is presented net of the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, amounting to 2,890 thousand Euro in 2022 (6,785 thousand Euro in 2021).

The column "Other non-cash changes" includes the reclassification of debt into the non current and current portions of Interest-bearing loans & borrowings and Lease liabilities, interest on Interest-bearing loans & borrowings and Lease liabilities accrued during the period, the proceeds relating to lease payment reductions obtained from negotiations to revise the terms and conditions of the leases of the Group's distribution network, as well as the effect of the early termination of some leases or the negotiation of a reduction in future lease payments on Lease liabilities.

19. Share capital and reserves

The authorized, subscribed, and paid up share capital of the Parent company as at 31 December 2022 totaled 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2022, there were no changes in the number of shares issued.

The treasury share reserve, amounting to 58,202 thousand Euro, consisted of 3,375,800 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000), 2019 (no. 136,000), 2021 (no. 624,163) and in 2022 (no. 2,601,637), at an average unit price of 17.24 Euro.

Share capital contributions, totaling 2,995 thousand Euro and referring entirely to the Parent company, were paid in a lump sum in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.

The legal reserve of 4,188 thousand Euro was set up in previous years and refers entirely to the Parent company.

The extraordinary reserve of 570,585 thousand Euro, which refers entirely to the Parent company, was set up with retained earnings; the change recorded in the period was due to an increase of 32,800 thousand Euro, relating to Salvatore Ferragamo S.p.A.'s profit for the year 2021. The decrease of 56,735 thousand Euro refers to the distribution of dividends, approved by Salvatore Ferragamo S.p.A. in 2022.

The cash flow hedge reserve was positive 7,216 thousand Euro and is the result of the measurement of the financial instruments defined as cash flow hedges as at 31 December 2022, given the hedges against exchange rate risk, and is shown net of the tax effect.

The translation reserve, negative 6,865 thousand Euro, reflects value changes in the Group share of shareholders' equity of the consolidated companies, due to changes in the exchange rates of the companies' functional currencies against the presentation currency of the consolidated financial statements.

Retained earnings, amounting to 138,387 thousand Euro, include profits/losses capitalized during the years, taking due account of consolidation adjustments, in particular unrealized profit on inventories. In 2022, this reserve was affected by several factors: it increased by 45,847 thousand Euro due to the capitalization of the 2021 result, net of the Parent company's result allocated to the extraordinary reserve, and by 471 thousand Euro due to minor effects; it decreased by 6,607 thousand Euro as a result of the increase in Salvatore Ferragamo S.p.A.'s interest in the share capital of Ferragamo Japan K.K., which increased from 71.00% to 89.13% of the relative share capital, which took place through the subscription of 5,000 new shares of the Japanese subsidiary, details of which are provided in the Board of Directors' report on operations in the section "Significant events occurred during the year" and in Note 4 "Business combinations and purchases of minority interests" to these Consolidated Financial Statements.

As at 31 December 2022, the items "Other reserves" and "Effect IAS 19 equity" (net total of 7,018 thousand Euro) include the amounts recognized for the valuation differences required by IFRS compared to the local standards of the Group's companies. This item includes the Stock Grant reserve for the two incentive plans for top management in place on 31 December 2022, in the amount of 5,123 thousand Euro (for details, please refer to note 40 "Share-based payments"). The 1,083 thousand Euro increase refers to the actuarial valuation of outstanding defined benefit plans at some of the Group's companies.

The amounts are net of the tax effects where applicable.

The changes in shareholders' equity items occurred in 2022 and 2021 are shown in the related statements. Here below is a breakdown of reserves and retained earnings:

(In thousands of Euro)	Reserves made up of profits	Translation reserve	Other reserves	Total
31 December 2022				
Treasury share reserve	-	-	(58,202)	(58,202)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	570,585	-	-	570,585
Cash flow hedge reserve	-	-	7,216	7,216
Translation reserve	-	(6,865)	-	(6,865)
Retained earnings	138,387	-	-	138,387
Other reserves	-	-	7,018	7,018
Total	**713,160**	**(6,865)**	**(40,973)**	**665,322**
31 December 2021				
Treasury share reserve	-	-	(15,532)	(15,532)
Share capital contributions	-	-	2,995	2,995
Legal reserve	4,188	-	-	4,188
Extraordinary reserve	594,520	-	-	594,520
Cash flow hedge reserve	-	-	(6,404)	(6,404)
Translation reserve	-	(10,418)	-	(10,418)
Retained earnings	98,676	-	-	98,676
Other reserves	-	-	762	762
Total	**697,384**	**(10,418)**	**(18,179)**	**668,787**

20. Interest-bearing loans & borrowings

A breakdown of current and non current interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Medium/long-term financial payables to banks	-	63,516	(63,516)
Short-term financial payables to banks	29,264	75,604	(46,340)
Total	**29,264**	**139,120**	**(109,856)**

In 2022, in the light of the cash generated by the Group and the improved credit market conditions, non-current term loans, taken out since 2020, when the Group had deemed it appropriate to further strengthen its financial structure by increasing committed lines with diversified counterparties in view of the effects of the Covid-19 pandemic, were repaid in advance.

As it has in the past, the Group used a significant part of its cash surplus in order to take out intercompany loans, which are regulated at current market conditions. As a result, there were no term loans drawn down at Group level at 31 December 2022, although an amount of credit lines remained available for use if required. The Group's loans and credit lines are at floating rates. The cost of debt is benchmarked to the market rate for the period (usually Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. The margins applied are in line with the best market standards.

The financial instruments used are:

i) uncommitted credit lines made available in the currency and country of residence of the individual company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Parent company.

As at 31 December 2022, committed credit lines had a maximum residual duration of forty-eight months and a weighted average residual duration of twenty-four months. The credit lines and the related financial business are spread among leading national and international banks. At the end of the reporting period, there were no outstanding drawdowns on committed lines, while drawdowns on uncommitted lines were less than one year.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Group and the relevant uses:

	31 December 2022		31 December 2021	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	365,000	-	442,072	89,785
Revolving credit lines	365,000	-	356,505	4,218
Term loans	-	-	85,567	85,567
Uncommitted credit lines	447,058	29,206	438,596	49,197
Total	**812,058**	**29,206**	**880,668**	**138,982**

The following table provides the breakdown of, and changes in, the net financial position as at 31 December 2022 and 31 December 2021, presented in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006 as supplemented by Consob's Warning no. 5/21.

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
A. Cash	300,312	471,808	(171,496)
B. Cash equivalents	91,042	39,988	51,054
C. Other current financial assets	10,255	596	9,659
D. Cash and cash equivalents (A+B+C)	**401,609**	**512,392**	**(110,783)**
E. Current financial payables (including debt instruments)	30,360	53,955	(23,595)
F. Current portion of non current financial payables*	106,586	132,174	(25,588)
G. Current financial debt (E+F)	**136,946**	**186,129**	**(49,183)**
H. Current financial debt, net (G-D)	**(264,663)**	**(326,263)**	**61,600**
I. Non current financial payables (excluding debt instruments)*	468,737	550,746	(82,009)
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**468,737**	**550,746**	**(82,009)**
M. Net financial debt (H+L)	**204,074**	**224,483**	**(20,409)**

* As at 31 December 2022, the Current portion of non current financial payables included 14,931 thousand Euro in Current lease liabilities to related parties (15,956 thousand Euro as at 31 December 2021). As at 31 December 2022, Non current financial payables included 85,042 thousand Euro in Non current lease liabilities to related parties (88,034 thousand Euro as at 31 December 2021). For more details, please refer to note 43 "Transactions with related parties".

Limitations on the use of financial resources

In general, the Group's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted net financial debt/(surplus) to restated EBITDA (EBITDA excluding the impact of the introduction of the accounting standard IFRS 16), to be tested annually, that was comfortably complied with as at 31 December 2022.

Financial covenants are also included in some local loan agreements entered into by Asian companies, even though these are uncommitted credit lines.

As at 31 December 2022, the financial and non-financial covenants were complied with by all the companies involved.

21. Provisions for risks and charges

The breakdown of, and changes in, the item are provided in the following table:

(In thousands of Euro)	Value at 01.01.2022	Translation difference	Additions	Uses	Value at 31.12.2022
Legal disputes	3,282	3	3,118	(1,846)	4,557
Other	17,450	(424)	1,628	(1,960)	16,694
Total	**20,732**	**(421)**	**4,746**	**(3,806)**	**21,251**

Legal disputes refer to allocations against likely future liabilities relating to legal proceedings against the Parent company and some proceedings regarding subsidiaries as well as labor disputes with reference to both litigation and estimated amounts that Group companies expect to have to disburse for out-of-court settlements. The use of the provision for legal disputes mainly refers to the settlement of a number of legal and labor proceedings and/or disputes related to the Parent company and some subsidiaries during the period. The amounts set aside are primarily associated with labor and legal disputes that arose during 2022.

The provision for other risks mainly includes allocations against likely future liabilities; the main allocation concerns expenses for the restoration of premises leased from third parties recognized pursuant to the contractual obligations under the relevant leases (16,619 thousand Euro as at 31 December 2022 and 17,331 thousand Euro as at 31 December 2021). The provision for the period included 1,628 thousand Euro referring to costs for the restoration of premises.

As regards contingent liabilities at Group level, for which no provisions have been made, reference should be made to the Directors' Report on Operations, section "Significant events occurred during the year - Tax and customs disputes and audits".

22. Employee benefit liabilities

The following table shows the breakdown of employee benefits as at 31 December 2022 and 31 December 2021:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Employee defined benefit liabilities	7,513	8,846	(1,333)
Other employee benefit liabilities	68	124	(56)
Total	**7,581**	**8,970**	**(1,389)**

The item "Employee defined benefit liabilities" includes employee severance indemnities of Salvatore Ferragamo S.p.A. and other employee defined benefit liabilities of some of the Group's foreign companies.

The following table shows the changes in employee defined benefit liabilities in 2022 and 2021:

(In thousands of Euro)	31 December 2022			31 December 2021		
	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities	Employee benefit obligations	Fair value of plan assets	Employee defined benefit liabilities
Value at 01.01	**15,220**	**(6,374)**	**8,846**	**16,173**	**(4,460)**	**11,713**
Liabilities disposed of	*-*	*-*	*-*	***(509)***	*-*	***(509)***
Current service cost	426	-	**426**	606	-	**606**
Financial charges/(income)	183	(89)	**94**	115	(71)	**44**
Changes included in net profit/(loss) for the period	***609***	***(89)***	***520***	***721***	***(71)***	***650***
Returns on plan assets	-	517	**517**	-	(185)	**(185)**
Actuarial loss/(gain) arising from:						
- financial assumptions	(1,835)	-	**(1,835)**	(621)	-	**(621)**
- demographic assumptions	17	-	**17**	(226)	-	**(226)**
- experience-based adjustments	5	-	**5**	(418)	-	**(418)**
Translation differences	180	(33)	**147**	363	(190)	**173**
Changes included in other comprehensive income	***(1,633)***	***484***	***(1,149)***	***(902)***	***(375)***	***(1,277)***
Contributions paid by the employer	(91)	89	**(2)**	-	(359)	**(359)**
Benefits paid	(473)	(229)	**(702)**	(263)	(1,109)	**(1,372)**
Other changes	***(564)***	***(140)***	***(704)***	***(263)***	***(1,468)***	***(1,731)***
Value at the end of the period	**13,632**	**(6,119)**	**7,513**	**15,220**	**(6,374)**	**8,846**

Employee defined benefit liabilities of Salvatore Ferragamo S.p.A. amounted to 5,310 thousand Euro, down by 1,023 thousand Euro compared to 31 December 2021.

Here below are the main financial assumptions used in determining the present value of employee severance indemnities:

	31 December 2022	31 December 2021
Annual rate of salary increase	2.88%	2.86%
Annual discount rate	3.18%	0.45%
Inflation rate	2.00%	1.50%

As regards the demographic assumptions used in determining defined benefit liabilities of Salvatore Ferragamo S.p.A., the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.26% per year.

Employee defined benefit liabilities of the Group's non-Italian companies refer to Ferragamo Japan KK, Ferragamo Retail

Taiwan Limited, Ferragamo France S.A.S., Ferragamo Monte-Carlo SAM, Ferragamo Belgique SA, Ferragamo Mexico S.de R.L. de C.V., Ferragamo USA Inc., Ferragamo (Thailand) Limited and Ferragamo (Suisse) SA. They amounted to 2,203 thousand Euro, down by 310 thousand Euro compared to 31 December 2021. The value is net of the fair value of plan assets mainly consisting of insurance policies.

Here below are the main financial assumptions used in determining the present value of employee benefit liabilities:

	31 December 2022	31 December 2021
Annual rate of salary increase	1.86% - 6.02%	1.78% - 5.50%
Annual discount rate	0.95% - 9.00%	0.33% - 8.01%

As for the demographic assumptions used in measuring the defined benefit liabilities of the Group's non-Italian companies, the figure used as a benchmark for the mortality rate is the standard one for each local population, broken down by age and gender, while for the staff turnover rate annual frequencies have been calculated based on the individual companies' data.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2022 and 31 December 2021 concerning the employee benefit obligation of Salvatore Ferragamo S.p.A., which has the highest impact on total employee defined benefit obligations:

		2022		2021	
(In thousands of Euro)	**% change**	**Increase**	**Decrease**	**Increase**	**Decrease**
Annual discount rate	+/- 0.5%	(192)	203	(276)	295
Mortality rate	+/- 0.025%	-	-	(1)	1
Staff turnover rate	+/- 0.5%	7	(8)	(27)	29

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

(Full time equivalent)	**2022**	**2021**
Top managers, middle managers and store managers	719	758
White collars	2,603	2,498
Blue collars	286	255
Temporary Agency staff	92	50
Total	**3,700**	**3,561**

Average staff increased compared to 2021, mainly to strengthen the organizational structure.

23. Other non current liabilities

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Payables for deferred liabilities	15,298	15,106	192
Other payables	1,830	350	1,480
Total	**17,128**	**15,456**	**1,672**

Payables for deferred liabilities (amounting to 15,298 thousand Euro as at 31 December 2022) largely refer to the straight-lining of the amounts received from lessors for the costs incurred to fit out the stores.

As at 31 December 2022, the item "Other payables" refers: for 1,462 thousand Euro to the recognition of the payable to the Managing Director and General Manager for the medium-long term incentive plan with share-based payments, called "Special Award 2022-2026", for the part that provides for cash settlement, for details of which reference should be made to Note 40 Share-based payments; and for 254 thousand Euro to security deposits received for lease agreements (294 thousand Euro as at 31 December 2021).

24. Lease liabilities

Below are the changes in lease liabilities occurred in 2022 and 2021, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	non current	current	Total
Value at 01.01.2022	487,230	110,012	**597,242**
Translation difference	11,208	1,805	**13,013**
Additions	101,956	-	**101,956**
Disposals	(19,558)	-	**(19,558)**
Repayment of lease liabilities	-	(114,610)	**(114,610)**
Interest expense on lease liabilities paid	-	(14,632)	**(14,632)**
Other changes	(112,099)	124,011	**11,912**
Value at the end of the period	**468,737**	**106,586**	**575,323**

	Lease liabilities		
(In thousands of Euro)	**non current**	**current**	**Total**
Value at 01.01.2021	464,400	103,509	**567,909**
Translation difference	22,814	5,371	**28,185**
Additions	119,782	-	**119,782**
Disposals	(11,276)	-	**(11,276)**
Repayment of lease liabilities	-	(100,669)	**(100,669)**
Interest expense on lease liabilities paid	-	(13,754)	**(13,754)**
Other changes	(108,490)	115,555	**7,065**
Value at the end of the period	**487,230**	**110,012**	**597,242**

The average weighted IBR applicable to leases outstanding as at 31 December 2022 was 2.79% (2.48% in 2021). As for the other cash outflows related to leases, see note 34 Breakdown by nature of income statement cost items.

25. Trade payables

The breakdown of trade payables was as follows:

(In thousands of Euro)	**31 December 2022**	**31 December 2021**	**Change 2022 vs 2021**
Trade payables	172,592	180,751	(8,159)
Advances from customers	1,424	3,041	(1,617)
Total	**174,016**	**183,792**	**(9,776)**

Trade payables do not bear interest and usually become due after 60/90 days.

This item consists of payables relating to the normal commercial activity carried out by Group companies, in particular costs for the purchase of raw materials, parts and costs relating to manufacturing.

26. Refund liabilities

Concerning the right of return as per "Revenues from contracts with customers", the line item "Refund liabilities" totaled 10,100 thousand Euro as at 31 December 2022 (9,310 thousand Euro as at 31 December 2021) and refers to the liability to customers for the amount of the products expected to be returned.

27. Tax payables

Tax payables, amounting to 25,216 thousand Euro as at 31 December 2022 (25,732 thousand Euro as at 31 December 2021) concern debts for income taxes due for the period, value added tax and other taxes due by Group companies. The amount is lower, compared to 31 December 2021, by 516 thousand Euro.

28. Other current liabilities

The breakdown of the item “Other current liabilities” is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Other payables	62,674	34,089	28,585
Payables to social security institutions	5,406	4,621	785
Accrued expenses	987	763	224
Deferred income	2,582	4,250	(1,668)
Hedging derivatives	6,186	15,206	(9,020)
Total	**77,835**	**58,929**	**18,906**

Other payables mainly include the Group’s payables to employees for amounts accrued but not yet paid at the reporting date (33,649 thousand Euro, up from 28,438 thousand Euro as at 31 December 2021). The item includes the corporate income tax (IRES) payable to the Ferragamo Finanziaria S.p.A. parent company, in the amount of 19,106 thousand Euro (as of 31 December 2021 there was a receivable in the amount of 2,567 thousand Euro), attributable to Salvatore Ferragamo S.p.A., accrued as part of the national fiscal consolidation.

The item “Payables to social security institutions” refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.

The item “Hedging derivatives” shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Parent company to manage exchange rate risk. For further details, please refer to note 30 Financial instruments and fair value measurement.

29. Other current financial liabilities

The breakdown of the item “Other current financial liabilities” is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Short-term derivatives	1,096	513	583
Total	**1,096**	**513**	**583**

The item “Short-term derivatives” mainly refers to the fair value of financial derivatives with a negative mark to market at the reporting date. For further details, please refer to note 30 Financial instruments and fair value measurement below.

30. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as at 31 December 2022 and 31 December 2021.

Classification of financial instruments and presentation of their fair value

FINANCIAL ASSETS

	31 December 2022			31 December 2021		
	Book value			Book value		
(In thousands of Euro)	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	256	-	256	596	-	596
Assets measured at amortized cost						
Receivables due from credit cards	15,576	-	15,576	12,359	-	12,359
Trade receivables	94,490	-	94,490	112,670	-	112,670
Guarantee deposits	-	15,570	15,570	-	15,659	15,659
Other current financial assets	9,999	-	9,999	-	-	-
Cash and cash equivalents	391,354	-	391,354	511,796	-	511,796
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	7,251	-	7,251	326	-	326
Total	**518,926**	**15,570**	**534,496**	**637,747**	**15,659**	**653,406**

FINANCIAL LIABILITIES

	31 December 2022			31 December 2021		
	Book value			Book value		
(In thousands of Euro)	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Liabilities measured at amortized cost						
Trade payables and payments on account	174,016	-	174,016	183,792	-	183,792
Payables to banks	29,264	-	29,264	75,604	63,516	139,120
Payables due to shareholders for dividends	2	-	2	-	-	-
Guarantee deposits	171	254	425	96	294	390
Lease liabilities	106,586	468,737	n/a*	110,012	487,230	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	1,096	-	1,096	513	-	513
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	6,186	-	6,186	15,206	-	15,206
Total	**317,321**	**468,991**	**210,989**	**385,223**	**551,040**	**339,021**

*Under the standard IFRS 16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Group uses internal valuation models, which are generally used in finance, on the basis of prices provided by market participants or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.

As for "Guarantee deposits", the book value is a reasonable approximation of the fair value. There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.

The Group calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a potential default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely sales and purchases through currency forward contracts), the related expiry dates (not over twelve months), and the Group's and counterparties' ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Group in the years 2022 and 2021.

(In thousands of Euro)	**2022**	**2021**
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(17,926)	(16,284)
Derivatives – hedging component	(25,664)	(332)
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	17,921	(15,166)
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL:		
Interest income	3,608	1,485
Interest expense	2,683	2,844
Interest expense on lease liabilities	14,798	13,881
Expenses and fees not included in the effective interest rate:		
regarding financial liabilities	1,033	1,300
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets:		
Receivables/loans	1,265	277

Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2022 and 2021.

31. Revenues from contracts with customers

In the years ended 31 December 2022 and 31 December 2021, revenues from contracts with customers totaled 1,248,907 thousand Euro and 1,133,159 thousand Euro, respectively. The tables below provide the breakdown by channel and geographic area of the main categories of revenues from contracts with customers for the years 2022 and 2021.

2022

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	145,889	115,944	14,012	275,845
North America	282,078	94,721	327	377,126
Japan	101,215	94	-	101,309
Asia Pacific	308,941	97,719	369	407,029
Central and South America	68,657	18,759	182	87,598
Total	**906,780**	**327,237**	**14,890**	**1,248,907**

2021

(In thousands of Euro)	Retail	Wholesale	Licenses and services	Total Revenues from contracts with customers
Europe	99,098	110,782	7,174	217,054
North America	235,189	85,741	267	321,197
Japan	90,300	(156)	-	90,144
Asia Pacific	349,810	86,183	229	436,222
Central and South America	55,118	13,348	76	68,542
Total	**829,515**	**295,898**	**7,746**	**1,133,159**

The Group discloses the disaggregation of revenue using a quali-quantitative approach.

The Group recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of licenses and services, revenue is recognized when the service is rendered to customers.

The item "Licenses and services" includes royalties deriving from the license contract with the Marchon group for the production and distribution of glasses ("Salvatore Ferragamo" brand) and with the Timex group for the production and distribution of watches ("Salvatore Ferragamo" brand). Since October 2021, the item includes also royalties deriving from the license contract with the Inter Parfums Inc. group for the production and distribution of fragrances ("Salvatore Ferragamo" brand). Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.

32. Rental income investment properties

Rental income investment properties were wholly due to the Ferragamo USA Group for the lease of space in owned or leased and sub-leased properties. In 2022, they amounted to 2,901 thousand Euro, up (+ 22.9%) from 2021, when they totaled 2,361 thousand Euro.

33. Cost of goods sold and operating costs

Cost of goods sold and operating costs in the years ended 31 December 2022 and 31 December 2021 totaled 1,143,030 thousand Euro and 1,018,725 thousand Euro, respectively, and were classified by function as follows:

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Cost of goods sold	350,693	354,576	(3,883)
Style, product development and logistics costs	49,263	40,908	8,355
Sales & distribution costs	453,167	407,844	45,323
Marketing & communication costs	92,064	66,379	25,685
General and administrative costs	168,819	126,304	42,515
Other operating costs	29,024	22,714	6,310
Total	**1,143,030**	**1,018,725**	**124,305**

The increase in costs of 12.2% compared to 2021, partly influenced by the appreciation of the main currencies during the period, is primarily attributable to the growth of revenues (+10.2%) and the progressive normalization of the Group's cost structure and, starting from the third quarter, to the steps that management has begun to undertake to implement the brand relaunch strategy. In this regard, the higher costs for enhancing communication and marketing activities and the organizational structure should be noted. Moreover, in 2022, the contributions received, both for employment support and for renegotiation of rents, were lower than in the same period last year; some types of costs already show an increase due to inflationary pressure, such as transport and energy costs.

34. Breakdown by nature of income statement cost items

The breakdown by nature of the cost of goods sold and operating costs is set out in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Raw materials, finished products and consumables used	202,758	244,057	(41,299)
Costs for services	480,993	378,937	102,056
Personnel costs	259,293	211,968	47,325
Amortization and depreciation of tangible and intangible assets	50,266	50,780	(514)
Depreciation of right-of-use assets	120,310	110,269	10,041
Write-downs of tangible/intangible assets	386	-	386
Other charges	29,024	22,714	6,310
Total	**1,143,030**	**1,018,725**	**124,305**

Compared to 31 December 2021, the Costs for services and the Personnel costs rose as a consequence of the normalization of the Group's cost structure and, starting from the third quarter, of the steps that management has begun to undertake to implement the brand relaunch strategy. Personnel costs include the remuneration related to the employment relationship of the Managing Director and General Manager, in addition to the flat-rate entry fee, the estimate of the variable bonus and remuneration for the period of the two share-based payment plans (for details, please refer to note 40 Share-based payments in the explanatory notes to the Consolidated Financial Statements) for a total of 20,669 thousand Euro.

The following table shows the impacts of leases on profit or loss, broken down by nature, in the years 2022 and 2021:

(In thousands of Euro)	2022	% of Total	2021	% of Total	Change 2022 vs. 2021
Depreciation of right-of-use assets	120,310	60.2%	110,269	57.9%	10,041
Interest and expenses on lease liabilities	14,803	7.4%	13,889	7.3%	914
Income from lease liabilities	(3,888)	(2.0%)	(422)	(0.2%)	(3,466)
Costs relating to short-term leases	5,824	2.9%	8,844	4.6%	(3,020)
Costs relating to low-value leases	739	0.4%	588	0.3%	151
Costs relating to leases with variable payments not included in the measurement of lease liabilities	64,845	32.5%	63,955	33.6%	890
Lease payment reductions	(2,890)	(1.4%)	(6,785)	(3.5%)	3,895
Total	**199,743**	**100.0%**	**190,338**	**100.0%**	**9,405**

Some of the Group's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of lease liabilities, and are recognized on an accrual basis. As at 31 December 2022, overall variable lease payments accounted for 32.5% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Group's performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.

To curb the negative impacts of the Covid-19 pandemic, the Group continued benefiting from negotiations, which had already started in 2020 and 2021, to revise the terms and conditions of the leases of its distribution network, resulting in a 2,890 thousand Euro positive variable lease payment in 2022 (6,785 thousand Euro in 2021); in the consolidated statement of cash flows, this was presented under Net cash flow from operating activities (Other non-monetary items). This accounting treatment is consistent with the amendments to IFRS 16 relating to renegotiations resulting from the Covid-19 pandemic.

In general, the Group's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Group to comply with financial covenants.

The Group does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Group considered the renewal options it intends to exercise.

The Group reports commitments for short-term leases expected for 2023 in line with those reported in the 2022 income statement.

35. Other income

Other income is broken down as follows:

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Expense recovery	2,158	2,960	(802)
Advertising contributions	138	17	121
Other income and revenues	14,420	22,097	(7,677)
Gains on disposal of tangible/intangible assets	9	49	(40)
Windfall profit	2,435	1,562	873
Total	**19,160**	**26,685**	**(7,527)**

Other income, totaling 19,160 thousand Euro, was down 7,527 thousand Euro from 31 December 2021. In 2021, Other income benefited from the 5.1 million Euro insurance payout that Ferragamo USA Inc. received for the damage caused to some stores in North America during the protests that took place in the second quarter of 2020. The item includes the non-repayable contribution of 2,313 thousand Euro accrued as at 31 December 2022 relating to the Innovation Agreement (I-SUCCEED project, for more details see the Board of Directors' report on operations in the section "Significant events occurred during the year - Sustainable Growth Fund Incentives – Innovation Agreement"), as well as research and development, design and aesthetic conception, and technological innovation tax credits and the tax credit to encourage donations, from which the Parent company benefits, as well as other benefits granted by the various Governments of the countries in which the Group operates, in order to help businesses and the economy to overcome the economic crisis caused by the Covid-19 pandemic, which in total decreased by 1.7 million Euro compared to 2021.

36. Financial operations

Financial operations are broken down as follows:

Financial charges

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Interest expense	1,301	1,473	(172)
Discount charges and other financial charges	3,266	3,388	(122)
Interest expense on lease liabilities	14,798	13,881	917
Expenses on lease liabilities	5	8	(3)
Losses on exchange rate differences	30,739	11,618	19,121
Financial charges for fair value adjustment of derivatives	28,594	20,146	8,448
Total	**78,703**	**50,514**	**28,189**

Financial income

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Interest income	2,008	841	1,167
Other financial income	1,600	644	956
Income from lease liabilities	3,888	422	3,466
Gains on exchange rate differences	33,763	23,883	9,880
Financial income for fair value adjustment of derivatives	10,668	3,862	6,806
Total	**51,927**	**29,652**	**22,275**

The item "Interest expense" includes mainly interest on short-term bank loans and, to a lesser extent, on medium and long-term bank loans.

The item "Discount charges and other financial charges" refers mainly to bank charges and, to a lesser extent, to financial charges on employee benefits, in relation to the valuation of defined-benefit plans pursuant to IAS 19, and discount charges.

Interest expense on lease liabilities was recognized following the introduction of the accounting standard IFRS 16 and amounted to 14,798 thousand Euro.

Interest income amounted to 2,008 thousand Euro, an increase of 1,167 thousand Euro compared to 2021.
Gains and losses on exchange rate differences were recorded mainly by the Parent company Salvatore Ferragamo S.p.A., and derive from sales in currencies other than the Euro to both Group companies (intercompany level) and to third parties. During 2022, net exchange rate gains amounted to 3,024 thousand Euro, compared to 12,265 thousand Euro in net exchange rate gains in 2021.

Financial income/(charges) for fair value adjustment of derivatives refer to the premium or discount on transactions to hedge the exchange rate risk undertaken by the Parent company and the changes in the fair value of non-hedge derivatives and are closely related to net gains and losses on exchange rate differences. In 2022, the Group reported 17,926 thousand Euro in net financial charges for the fair value adjustment of derivatives, compared to 16,284 thousand Euro in net financial charges in 2021.

37. Income taxes

The taxes recorded in the income statement were as follows:

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Current taxes	(37,080)	(18,922)	(18,158)
Deferred taxes	3,205	(17,117)	20,322
Provision for taxes from previous years	(1,935)	(250)	(1,685)
Total	**(35,810)**	**(36,289)**	**479**
Tax rate	**35.4%**	**29.6%**	

The effective tax rate for 2022 was 35.4%. In 2022, the Provision for taxes from previous years included 1,917 thousand Euro set aside by Ferragamo Deutschland GmbH for the tax audit relating to the tax years 2011-2014 that started in 2016; for more details, see "Significant events occurred during the year - Tax and customs disputes and audits" in the Directors' report on operations. In 2021, it included 250 thousand Euro set aside by Ferragamo France S.A.S. for the tax audit relating to the tax years 2008-2010 that started in 2011; for more details, see "Significant events occurred during the year - Tax and customs disputes and audits" in the Directors' report on operations. By adjusting the tax rate for provisions for taxes relating to prior years and including the effects of discontinued operations for the year 2021 in Profit before taxes and Income taxes, the effective tax rate for the years 2022 and 2021 would have been 33.5% and 30.8%, respectively.

Deferred taxes include the net use of deferred tax assets on tax losses during the year totaling 7,989 thousand Euro, mainly related to Salvatore Ferragamo S.p.A..

Deferred tax assets and liabilities

The following table provides a breakdown by nature of the assets and liabilities for deferred taxes as at 31 December 2022 and 31 December 2021.

(In thousands of Euro)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	2022	2021
	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	1,014	1,216	489	685	(42)	(18)
- on tangible assets	9,621	11,619	-	-	(2,683)	437
- on intangible assets	1,706	2,057	-	-	(352)	1,842
- on right-of-use assets and lease liabilities	15,174	15,084	-	-	(749)	(820)
- on the cash flow hedge reserve	-	2,024	-	2,024	-	-
- on the valuation of inventories	15,181	15,455	-	-	(541)	(3,099)
- on the elimination of the profit unrealized in inventories	49,566	37,749	-	-	11,817	(10,998)
- on tax losses	2,035	9,986	-	-	(7,989)	(2,575)
- on taxed provisions	3,601	2,540	-	-	980	(371)
- for other temporary differences	11,192	7,738	-	-	3,202	(3,463)
Deferred tax assets	**109,090**	**105,468**	**489**	**2,709**	**3,643**	**(19,065)**
Deferred tax liabilities						
- on employee benefits	(133)	(103)	-	-	(38)	(72)
- on tangible assets	(438)	(337)	-	-	(110)	5
- on right-of-use assets and lease liabilities	-	(141)	-	-	133	(15)
- on intangible assets	-	-	-	-	-	1,613
- on the cash flow hedge reserve	(2,277)	-	(2,279)	-	2	(2)
- on the valuation of inventories	(2,283)	(1,805)	-	-	(477)	444
- for other temporary differences	(940)	(994)	-	-	52	(25)
Deferred tax liabilities	**(6,071)**	**(3,380)**	**(2,279)**	**-**	**(438)**	**1,948**
Net effect	**103,019**	**102,088**	**(1,790)**	**2,709**	**3,205**	**(17,117)**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.

The accounting of assets for deferred taxes was duly adjusted to take account of the effective possibility to be realized.

Deferred tax assets on previous tax losses, recognized after assessing the actual probability that future taxable profit will be available against which they can be utilized, as at 31 December 2022 and 31 December 2021 were as follows:

31 December 2022

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	6,681	23.96%	1,601
3 to 5 years	355	19.00%	68
Over 5 years	1,195	30.62%	366
Total	**8,231**	**24.72%**	**2,035**

31 December 2021

Expiry (In thousands of Euro)	Previous tax losses	Tax rate	Deferred tax assets
Without time limits	42,038	23.75%	9,986
Total	**42,038**	**23.75%**	**9,986**

The following table shows the tax losses of Group companies as at 31 December 2022 and 31 December 2021 on which deferred tax assets have not been calculated, as it is not probable that future taxable profit will be available against which the Group can utilize the relevant benefits, along with the relevant expiry dates:

31 December 2022

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
172,681	121,603	3,716	12,396	10,462	24,504

31 December 2021

	Expiry				
(In thousands of Euro)	Without time limits	Within 1 year	1 to 3 years	3 to 5 years	over 5 years
166,126	120,970	2,450	6,364	19,167	17,175

The reconciliation between the theoretical tax charge and the effective tax charge is as follows:

(In thousands of Euro)	**2022**	**2021**
Profit/(loss) from continuing operations before taxes	*101,162*	*122,618*
Profit/(loss) from discontinued operation before taxes	-	*(5,030)*
Profit/(loss) before taxes	**101,162**	**117,588**
IRES rate in force for the year	*(24.0%)*	*(24.0%)*
Theoretical tax charge	**(24,279)**	**(28,221)**
IRAP effect	(6,776)	(2,797)
Effect of goodwill and know-how tax realignment	-	1,461
(Non-deductible costs) net of non-taxable income	2,172	(358)
Differences arising from different rates – foreign countries	(1,011)	(3,054)
Other effects	588	(287)
Effects from non-registration of deferred taxes	(4,569)	(2,945)
Effect of (allocation to)/use of the provision for risks and charges for taxes from previous years	(1,935)	(250)
Total differences	**(11,531)**	**(8,230)**
Total taxes	**(35,810)**	**(36,451)**
of which income taxes on the discontinued operation	-	*(162)*
of which income taxes on continuing operations	*(35,810)*	*(36,289)*
Effective tax rate	**(35.4%)**	**(31.0%)**

38. Earnings per share

As required by IAS 33, information is provided on the data used to calculate the earnings per share and the diluted earnings per share. The basic earnings per share is calculated by dividing the profit or loss for the period attributable to the shareholders of the Parent company by the weighted average number of outstanding shares during the reporting period, considering also the weighted average impact of treasury shares during the reporting period. Below are the amounts used to calculate basic and diluted earnings per share.

	2022	2021
Net profit (loss) – shareholders of the Parent company (Euro)		
Profit (loss) from continuing operations (Euro)	69,609,069	83,839,070
Profit (loss) from operations to be disposed of (Euro)	-	(5,192,000)
Net profit (loss) - shareholders of the Parent company (Euro)	69,609,069	78,647,070
Average number of ordinary shares	166,208,310	168,585,596
Basic earnings per share from continuing operations – ordinary shares (Euro)	**0.419**	**0.497**
Basic earnings per share from discontinued operation – ordinary shares (Euro)	**0.000**	**(0.031)**
Basic earnings per share – ordinary shares (Euro)	**0.419**	**0.467**
Average number of ordinary shares	166,208,310	168,585,596
Dilutive effect on stock grant plans	114,345	-
Diluted average number of ordinary shares	166,322,655	168,585,596
Diluted earnings per share from continuing operations – ordinary shares (Euro)	**0.419**	**0.497**
Diluted earnings per share from discontinued operation – ordinary shares (Euro)	**0.000**	**(0.031)**
Diluted earnings per share – ordinary shares (Euro)	**0.419**	**0.467**

Other information

39. Dividends

The Salvatore Ferragamo S.p.A. Parent company, in execution of the resolution of the Shareholders' Meeting of 12 April 2022, provided for the distribution to the Shareholders of a part of the profits allocated to Extraordinary Reserve, drawing on the profits made in 2008 - 2016 and set aside in this reserve, equal to a dividend per share of 0.34 Euro for each of the 166,866,600 ordinary shares outstanding (net of 1,923,400 treasury shares) at the ex-coupon date, for a total of 56,734,644 Euro. As at 31 December 2022, dividends paid amounted to 56,733 thousand Euro.

Other Group companies with third-party minority shareholders did not approve and/or pay any dividends during 2022.

40. Share-based payments

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti, as well as any additional recipients of the Ferragamo Group as the Board of Directors may identify in the future: the "Special Award 2022-2026" plan and the "Restricted Shares Plan". These plans became effective on 1 January 2022 for the Managing Director and General Manager. For more information on the above incentive plans, see the section "Significant events occurred during the year" in the Annual Report as at 31 December 2021 and the relevant documentation about the Meeting, which is available on the Company's website *http://group.ferragamo.com/en*, section *Governance/Shareholders' Meeting 2021/December-14*.

Restricted Shares Plan

(a) Plan description

The Restricted Shares Plan is intended to strengthen the alignment of interests with all the Ferragamo Group's stakeholders as part of the overall remuneration package of the recipients, boosting specifically their motivation and loyalty to the Company and the Ferragamo Group.

As of 31 December 2022, the recipient of the Restricted Shares Plan is the Managing Director and General Manager of the Company. The Board of Directors may identify additional beneficiaries, at its sole discretion, among the managers who hold and will hold the role of directors, employees and/or collaborators of Companies and subsidiaries.

Object of the Plan

At the beginning of each year, the recipients shall be awarded the right to receive a number of Restricted Shares worth a monetary amount established by the relevant corporate bodies for free, dividing said monetary amount by the average value of the shares (i.e., the average of the stock's closing prices) in the 30 days prior to the award of the right.

The Restricted Shares Plan's shares shall then be awarded at the end of a 12-months period from the date the right was awarded, provided:

(1) the Company has met the following minimum targets (so-called underpins) in the reporting period:
   a) a total revenues level at CER (current exchange rates) for the reporting year equivalent to a minimum of 70% of that of the previous year; and
   b) a Ferragamo Group ROIC level at RER (reported exchange rates) for the reference year above the Group's WACC;

(2) the administrative and/or labor and/or collaboration relationship in place between each Beneficiary and the Company/Subsidiary is still in place on the assignment date.

Once assigned, the Restricted Shares will be subject to a 12 months non-transferability clause – the so-called lock-up – starting from the assignment date.

Shares in the Company are to be awarded under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The Restricted Shares Plan must be considered as being provided for an indefinite period of time.

The Managing Director and General Manager, Marco Gobbetti, will be assigned annually, at the beginning of each year of the Restricted Shares Plan, the right to accrue, free of charge, a number of Restricted Shares corresponding to a monetary value of 2,500,000 Euro. For the first financial year ended 31 December 2022, the assignment of Restricted Shares will take place regardless of the achievement of the minimum objectives (so-called underpins).
The expected annual monetary value for any additional beneficiaries will be determined on a case by case basis by the competent corporate bodies.

The Restricted Shares Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

Changes in the period of the number of rights assigned to receive shares*

(i)	Outstanding at the start of the year	-
(ii)	Assigned in the period	114,766
(iii)	Canceled in the period	-
(iv)	Exercised in the period	-
(v)	Expired in the period	-
(vi)	Outstanding at the end of the period	114,766
(vii)	Exercisable at the end of the period	114,766

* The average price for the period has not been indicated since it is a plan with free assignment of shares

b) Changes to the Stock Grant Reserve

	31 December 2022	
	Number	Fair Value (In thousands of Euro)
Rights to receive shares assigned to the Managing Director and General Manager		
- at the start of the year	-	-
- assigned in the year	114,766	2,547
- at the end of the period	114,766	2,547

On 1 January 2023, the Managing Director and General Manager Marco Gobbetti accrued the right to receive, free of charge, 114,766 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2022") assigned to him on 1 January 2022 under and in pursuance of the provisions of the Restricted Shares Plan. The Restricted Shares 2022, found in full from the stock of treasury shares purchased by Salvatore Ferragamo S.p.A. were transferred to the securities account in the name of the Managing Director and General Manager in February 2023, on the understanding that they are subject to a 12 (twelve) months lock-up.

(c) Fair value measurement

The fair value of the Restricted Shares Plan was determined as the fair value of the shares at the time of assignment, discounted by the expected dividends.

The assumptions for the valuation of the Restricted Shares Plan for the Managing Director and General Manager are as follows:

Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.5%
Fair value per share at the assignment date (Euro)	22.19

Special Award 2022-2026 Plan

(a) Plan description

The Special Award Plan is intended to strengthen the alignment of interests between top management and all the Ferragamo Group's stakeholders in order to create value, providing recipients with an incentive to meet the Company's medium/long-term targets – also reflected in the strategic plan – and boosting retention.

In consideration and for the purpose of pursuing these objectives, the Special Award Plan provides for a single cycle subject to a five-year performance period. This timeframe is considered to be appropriate for the achievement of the aforementioned long-term objectives pursued with the Special Award Plan.

As of 31 December 2022, the recipient of the Special Award Plan is the Managing Director and General Manager of the Company. The Board of Directors may identify additional beneficiaries (at the beginning of the Plan or during the Vesting Period, with the application, in this case, of a pro rata temporis parameter that re-proportions the Special Award Bonus taking into account the actual period of service during the Vesting Period), at its sole discretion, among the top managers who hold and will hold the role of directors, employees and/or collaborators of Companies and subsidiaries.

Object of the Plan

The Special Award Plan provides for the disbursement of a "Special Award Bonus" in two installments, respectively: (a) at the end of the first three years from 1 January 2022 (i.e. 31 December 2024), once the first objective has been reached; and (b) at the end of the following two years (i.e. 31 December 2026), once the second objective has been reached, subject to the existence at such dates of an administration and/or employment relationship between each Beneficiary and the Company or a Subsidiary, on a case by case basis. The disbursement of the "Special Award Bonus", for both installments, will be paid 50% in cash and the remaining 50% in Company shares.

Each installment shall be equal to a percentage (determined by the Company's competent bodies and equal to 0.50% for the Managing Director and General Manager) of the Company's average capitalization in a period between the three months before and after the end of the first three years and the subsequent two years from the start of the relationship (the "Average Value").

For the portion of the Special Award Bonus that will be paid through the free allocation of Company shares, this shall take place using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The shares awarded to recipients will be locked up for 3 months.

The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

b) Charges to the Stock Grant Reserve and Plan Cost

	31 December 2022 Fair Value (In thousands of Euro)
Rights to receive shares assigned to the Managing Director and General Manager	
- at the start of the year	-
- assigned in the year	2,576
- at the end of the period	2,576

(In thousands of Euro)	**2022**
Cost of share-based payment transactions (payment in shares)	2,576
Cost of share-based payment transactions (payment in cash)	1,462

(c) Fair value measurement

Considering the allocation mechanism set out above, the valuation concerns the total fair value of the plan, influenced by the degree to which the performance objectives related to the valuation of the Company's stock have been achieved. With respect to the accounting standard these are therefore so-called "market based" objectives. The fair value estimation was carried out using a stochastic simulation with the Monte Carlo Method which, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.

The main assumptions for the evaluation of the Special Award Plan for the Managing Director and General Manager on the date of assignment and on 31 December 2022, for the valuation of the installments to be paid in cash, are presented below. The fair value of the cash payment installment must be valuated at each reporting date.

Valuation at assignment	**1 January 2022**
Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.5%
Expected volatility*	34%
Outflow rate	0%
Salvatore Ferragamo S.p.A. Share Rate of Return**	(0.07%)

Valuation at the reporting date	**31 December 2022**
Date of assignment	1 January 2022
Share price at the reporting date (Euro)	16.49
Expected dividends	1.5%
Expected volatility*	39%
Outflow rate	0%
Salvatore Ferragamo S.p.A. Share Rate of Return**	3.27%

* Reasonable estimate based on historical volatility calculated with reference to the valuation date.
** Average interest rate swap rates at the valuation date, respectively at the two three-year and five-year maturities.

41. Put and call agreements on minority interests

In recent years the Salvatore Ferragamo Group has expanded largely through internal growth. In some areas, mainly in Asia, it has also grown through partnerships with local distributors. In relation to these partnerships, the Shareholders' Agreements regulate dealings between the partners, define the governance rules and contain some provisions on put and call options which shareholders can exercise under certain conditions.

The subsidiaries involved in these kinds of agreements are Ferragamo Japan K.K., Ferrimag Limited, Ferragamo Moda (Shanghai) Co. Ltd., and Ferragamo Retail Macau Limited.

Below are the details on the agreements on minority interests and the effects of the options which have been recognized in the consolidated financial statements as at 31 December 2022.

Ferragamo Japan K.K.'s Shareholders' Agreement allows minority shareholders, collectively holding a 10.87% stake as from July 2022, (previously 29%, for more details on the change in the investment in Ferragamo Japan K.K. see the section "Significant events occurred during the year" in the Board of Directors' report on operations) to sell their shares to Salvatore Ferragamo S.p.A. at a contractually set price in the case of proven financial need or in the case of a change in their investment strategies in the luxury sector. Consequently, since the financial statements as at 31 December 2010, the Group has been recognizing a financial liability to take into account the possibility of minority shareholders exercising the put option on their stake; as at 31 December 2022, 2021 and 2020, the liability was nil. Since the Salvatore Ferragamo Group believes it does not have access to the economic benefits associated with this interest, at each measurement date, any changes in the value of the put are recognized directly in equity.

42. Segment reporting

Accounting Standard IFRS 8 – Operating segments requires that detailed information is provided for each operating segment, understood as a component of an entity whose operating results are regularly reviewed by the entity's top management to make decisions about resources to be allocated to the segment and assess its performance.
At management level, the organization of the Salvatore Ferragamo Group is based on a matrix structure, divided by distribution channel, geographic area, and product category. Operating segments cannot therefore be identified, and top management reviews financial performance across the Group as a whole. Therefore, the Group's activity has been represented as a single reportable segment pursuant to IFRS 8.

(In thousands of Euro)	**2022**	**2021**
Retail revenues	923,507	829,754
Wholesale revenues	336,174	295,991
Net sales	*1,259,681*	*1,125,745*
Cash Flow Hedging Effect on Revenues	(25,664)	(332)
Licenses and services	14,890	7,746
Rental income investment properties	2,901	2,361
Revenues	**1,251,808**	**1,135,520**
of which in Italy	*124,298*	*101,087*
Gross profit	**901,115**	**780,944**
Gross Profit %	**72.0%**	**68.8%**
Personnel costs	(244,627)	(198,006)
Rental costs	(87,468)	(81,899)
Amortization, depreciation and write-downs of non current assets	(170,785)	(160,852)
Communication costs	(84,684)	(60,360)
Other costs (net of other income)	(185,613)	(136,347)
Operating profit/(loss)	**127,938**	**143,480**
Net financial (charges)/income	(26,776)	(20,862)
Profit/(loss) before taxes	**101,162**	**122,618**
Income taxes	(35,810)	(36,289)
Profit/(loss) from continuing operations	**65,352**	**86,329**
Profit/(loss) from discontinued operation, net of tax	-	(5,192)
Net profit/(loss)	**65,352**	**81,137**
EBITDA*	**298,900**	**304,529**

* As regards the definition of EBITDA, reference should be made to the specific paragraph in the Directors' report on operations on alternative performance measures.

(In thousands of Euro)	31 December 2022	31 December 2021
Inventories and Right of return assets	281,026	279,790
Trade receivables	94,490	112,670
Tangible assets and investment property	219,311	217,077
Right-of-use assets	479,724	500,047
Intangible assets with a finite useful life and goodwill	41,582	40,102
Other assets	202,548	186,977
Total assets gross of cash and cash equivalents and current financial receivables	**1,318,681**	**1,336,663**
Net financial debt	204,074	224,483
Trade payables and Refund liabilities	184,116	193,102
Other liabilities	155,082	133,199
Shareholders' equity	775,409	785,879
Total liabilities and shareholders' equity (net of cash and cash equivalents and current financial receivables)	**1,318,681**	**1,336,663**

As regards the information required by IFRS 8, reference should be made to the Directors' report on operations for details and the relevant comments on revenues, broken down by geographic area, distribution channel and product category.
Below is the information relating to non current assets (excluding financial instruments and deferred tax assets) broken down by geographical area.

(In migliaia di Euro)	Italy	Europe (excluding Italy)	North America	Japan	Asia Pacific	Central and South America	Consolidated
31 December 2022	254,117	143,133	182,183	6,871	159,386	16,357	762,047
31 December 2021	242,998	163,477	181,100	12,615	168,127	10,300	778,617

43. Transactions with related parties

This section describes the transactions with related parties undertaken in the years ended 31 December 2022 and 2021.

31 December 2022

(In thousands of Euro)	Revenues	Cost of goods sold and Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	57	(79)	(21)	564	14	-	-	(19,106)	(598)
(company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	32	(7,037)	(1,506)	50,041	2	-	(46)	-	(53,957)
Lungarno Alberghi S.r.l.	15	(2,186)	(647)	15,913	4	-	(43)	-	(17,832)
Fondazione Ferragamo	2	(191)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	24	(52)	-	-	20	-	(33)	-	-
Bacco S.r.l.	-	(2)	-	-	-	-	-	-	-
Caretti & Associati S.r.l.	-	-	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	26	(3)	-	-	-	-	(1)	-	-
Club Swan Racing S.r.l.	14	(34)	-	-	-	-	-	-	-
Club Swan Yachts S.r.l.	4	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	1	5	-	-	6	-	-	-	-
Il Borro Tuscan Bistro S.r.l.	-	(7)	-	-	-	-	(3)	-	-
Rubino S.r.l.	-	(39)	-	51	-	5	(1)	-	(51)
Windows on Italy S.r.l.	-	(1)	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(97)	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(12)	-	-	-	-	(3)	-	-
Harbour City Estates Limited	-	(4,701)	(172)	12,759	-	740	-	-	(13,916)
Times Square Ltd.	-	(458)	-	-	-	-	(68)	-	-
Harriman Leasing Limited	-	(3)	-	-	-	798	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,265)	(458)	10,392	-	744	-	-	(11,201)
Dalian Times Square Commercial Co.ltd	-	(655)	(50)	862	-	189	(39)	-	(979)
Pedder Group Limited	-	-	-	-	3	-	-	-	-
Pedder Vision Limited	13	-	-	-	-	-	-	-	-
OIS Realty Limited	-	(538)	(8)	120	-	136	-	-	(117)
Shanghai Wheelock square Development Co. Ltd.	-	(772)	(16)	124	-	234	-	-	(91)
Wharf IFS (Chengdu) Property Management Limited Company	-	(155)	-	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(118)	-	-	-	29	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(445)	(23)	1,214	-	214	(1)	-	(1,231)
Chengdu Times Outlets Commerce Co., Ltd	-	(209)	-	-	-	4	(4)	-	-
Other related parties									
Massimo Ferragamo	-	(142)	-	-	-	-	(25)	-	-
Riccardo Ferragamo	-	(44)	-	-	-	-	-	(5)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Angiolo Anichini	-	(225)	-	-	-	-	-	(75)	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(23,606)	-	-	-	-	-	(9,694)	-
Total	**189**	**(44,161)**	**(2,901)**	**92,040**	**50**	**3,093**	**(317)**	**(28,880)**	**(99,973)**
Group total	**1,251,808**	**(1,123,870)**	**(78,703)**	**479,724**	**94,490**	**57,017**	**(174,016)**	**(94,963)**	**(575,323)**
% ratio	**0.0%**	**3.9%**	**3.7%**	**19.2%**	**0.1%**	**5.4%**	**0.2%**	**30.4%**	**17.4%**

31 December 2021

(In thousands of Euro)	Revenues	Cost of goods sold and Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A.	36	(75)	(23)	593	14	2,567	-	-	(622)
company which exercises management and coordination on Salvatore Ferragamo S.p.A.)									
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(5,899)	(1,535)	48,313	1	70	(77)	-	(51,066)
Lungarno Alberghi S.r.l.	51	(1,935)	(675)	17,185	8	-	(4)	-	(18,888)
Fondazione Ferragamo	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	-	(27)	-	-	-	-	(5)	-	-
Bacco S.r.l.	-	(3)	-	5	-	-	-	-	(6)
Baia di Scarlino S.r.l.	3	-	-	-	3	-	-	-	-
Caretti & Associati S.r.l.	-	(50)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	7	(18)	-	-	-	-	(3)	-	-
Castiglion del Bosco Hotel S.r.l.	9	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	6	(1)	-	-	5	-	(1)	-	-
Rubino S.r.l.	-	-	-	-	-	2	-	-	-
Nautor Swan S.r.l.	-	(17)	-	-	-	-	-	-	-
Osteria del Borro S.r.l.	4	-	-	-	-	-	-	-	-
Windows on Italy S.r.l.	-	(4)	-	-	-	-	(4)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(179)	-	-	-	-	(20)	-	-
Harbour City Estates Limited	-	(5,656)	(193)	16,166	-	697	-	-	(16,940)
Imaginex Management Co. Ltd.	-	(2)	-	-	-	-	-	-	-
Times Square Ltd.	-	(965)	-	-	-	2	(50)	-	-
Harriman Property Management Limited	-	(1)	-	-	-	-	-	-	-
Harriman Leasing Limited	-	(3)	-	-	-	752	-	-	-
Long Jin Complex Development (Chengdu) Co. Ltd	-	(2,399)	(496)	12,636	-	761	(10)	-	(13,199)
Dalian Times Square Commercial Co.ltd	-	(604)	(68)	1,452	-	193	-	-	(1,614)
Pedder Group Limited	-	-	-	-	3	-	-	-	-
Pedder Vision Limited	31	-	-	-	10	-	-	-	-
OIS Realty Limited	-	(477)	(17)	543	-	128	-	-	(546)
Shanghai Wheelock square Development Co. Ltd.	-	(727)	(41)	886	-	239	-	-	(911)
Wharf IFS (Chengdu) Property Management Limited Company	-	(77)	-	-	-	-	-	-	-
Shanghai Harriman Property Management Co. Ltd.	-	(111)	-	-	-	30	-	-	-
Wharf (China) Property Management Co. Ltd - IFS Branch	-	(54)	-	-	-	-	-	-	-
Chongquing Jiayi Real Estate Development Co Ltd.	-	(343)	(13)	177	-	111	-	-	(195)
Chengdu Times Outlets Commerce Co., Ltd	-	(233)	-	3	-	4	(3)	-	(3)
Other related parties									
Massimo Ferragamo	-	(127)	-	-	-	-	(33)	-	-
Riccardo Ferragamo	-	(30)	-	-	-	-	-	(2)	-
Federica Anichini	-	(49)	-	-	-	-	-	-	-
Angiolo Anichini	-	(271)	-	-	-	-	-	(75)	-
Giuseppe Anichini	-	(5)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(7,372)	-	-	-	-	-	(1,792)	-
Total	**180**	**(27,884)**	**(3,061)**	**97,959**	**44**	**5,556**	**(260)**	**(1,869)**	**(103,990)**
Group total	**1,135,520**	**(992,040)**	**(50,514)**	**500,047**	**112,670**	**48,265**	**(183,792)**	**(58,929)**	**(597,242)**
% ratio	**0.0%**	**2.8%**	**6.1%**	**19.6%**	**0.0%**	**11.5%**	**0.1%**	**3.2%**	**17.4%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,845 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Group has not set aside any provision for bad debt in relation to amounts due from related parties.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which the Parent company Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (consolidating entity), Other current liabilities included 19,106 thousand Euro in corporate income tax (IRES) payables of Salvatore Ferragamo S.p.A..

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16.

Lungarno Alberghi S.r.l.

Revenues (and the relevant credit balances) refer to product sales; right-of-use assets, lease liabilities, operating costs, and interest expense largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Fondazione Ferragamo

The costs (and the related accounts payable balances) incurred refer for 101 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (100 thousand Euro in 2021) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (70 thousand Euro in 2021).

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, trade receivables and payables, right-of-use assets, lease liabilities, and other assets and liabilities. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Harbour City Estates Limited

Right-of-use assets and lease liabilities, operating costs (net of the reduction in lease payments granted because of the Covid-19 pandemic), and financial charges largely refer to leases for premises in Hong Kong, including mainly the Canton Road flagship store, which mostly fall within the scope of IFRS 16. Other assets refer to the relevant guarantee deposits.

Times Square Ltd. and Harriman Leasing Limited

As regards Times Square Ltd., operating costs (and the relevant trade payables) mainly refer to rents for premises for a store in Hong Kong, while as regards Harriman Leasing Limited, other assets refer to the guarantee deposit for the same store in Hong Kong.

Long Jin Complex Development (Chengdu) Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which largely falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Dalian Times Square Commercial Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

OIS Realty Limited

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for the offices of Ferragamo Hong Kong Limited and Ferragamo Retail Hong Kong Ltd., which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Shanghai Wheelock square Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease of the offices of Ferragamo Fashion Trading (Shanghai) Co. Limited and Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposits.

Chongquing Jiayi Real Estate Development Co. Ltd.

Right-of-use assets and lease liabilities, operating costs, and financial charges refer to the lease for a store of Ferragamo Moda (Shanghai) Limited, which falls within the scope of IFRS 16, whereas other assets refer to the relevant guarantee deposit.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred primarily by Salvatore Ferragamo S.p.A. and Ferragamo USA Inc. under the working relationship in place during the year.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 44 Fees paid to Directors and Statutory Auditors.

The Managers with strategic responsibilities during 2022 are listed in the following table:

Full name	Role
Giacomo Ferragamo	Chief Transformation & Sustainability Officer
Alessandro Corsi	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

The costs associated with the managers with strategic responsibilities referred to the cost incurred by the Group as part of the employment relationship, including the variable bonus. In 2022, they amounted to 1,257 thousand Euro (compared to 1,272 thousand Euro in 2021). Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

44. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)		2022							
				Fees					
Full name	Position held	Term of office	End of term of office	for the position held	as committee members	Non-monetary benefits	Salaries, bonuses and other incentives	Stock Grant	Total
Leonardo Ferragamo	Chair	1.01-31.12	a)	400	-	b)	-	-	400
Angelica Visconti	Deputy Chair	1.01-31.12	a)	200	-	b) c) d) e)	302	-	502
Marco Gobbetti	Managing Director and General Manager	1.01-31.12	a)	120	-	b) c) d) e)	14,083	6,586	20,789
Giacomo Ferragamo	Director	1.01-31.12	a)	50	-	b) c) d)	712	-	762
Frédéric Biousse	Director	1.01-31.12	a)	50	-		-	-	50
Patrizia Michela Giangualano	Director	1.01-31.12	a)	50	30		-	-	80
Annalisa Loustau Elia	Director	1.01-31.12	a)	50	20		-	-	70
Umberto Tombari	Director	1.01-31.12	a)	50	42		-	-	92
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Anna Zanardi Cappon	Director	1.01-31.12	a)	50	47		-	-	97
Total				**1,020**	**139**		**15,097**	**6,586**	**22,842**

a) upon approval of the 2023 financial statements. It should be noted that on 27 February 2023, Anna Zanardi Cappon resigned as a Director, effective as of the date of the Shareholders' Meeting to approve the financial statements for the year 2022.
b) car; c) mobile phone; d) insurance policies; e) accommodation.

Statutory Auditors

(In thousands of Euro)	2022						
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	01.01-31.12	a)	64	15	-	79
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Total				**160**	**39**	**-**	**199**

a) upon approval of the 2022 financial statements
* Other fees refer to amounts due for the position as Chair or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001
Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

45. Commitments and risks

The breakdown of the risks and commitments is as follows:

(In thousands of Euro)	31 December 2022	31 December 2021
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	28,517	23,804
Guarantees provided by Group companies to third parties in the interests of Group companies	138,158	136,176
Total	**166,675**	**159,980**

The sureties and guarantees provided by third parties in the interests of Group companies largely refer to sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US Dollars (equal to 5,625 thousand Euro) relating to a lease contract of the Ferragamo USA Group.
The guarantees provided by Group companies are mainly in favor of banks to guarantee credit lines which may be used locally.

46. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of aid, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2022 the Italian entity Salvatore Ferragamo S.p.A. received 32 thousand Euro for paid curricular internships from Tuscany's Regional Government.
In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

47. Significant non-recurring events and transactions

During 2022, the Salvatore Ferragamo Group did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

48. Transactions arising from atypical and/or unusual transactions

The Group did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price, and the timing of the event, may give rise to doubts about the fairness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity, and the protection of minority interests.

49. Subsidiaries highlights

Subsidiaries highlights are shown in the table below.

(In thousands) Company		2022		2021	
	Currency	Revenues	Shareholders' equity	Revenues	Shareholders' equity
Ferragamo Australia Pty Ltd.	AUD	26,810	22,665	21,127	22,268
Ferragamo Japan K.K.	JPY	13,705,863	1,177,142	11,615,759	(3,007,093)
Ferragamo Korea Ltd.	KRW	140,377,040	80,285,051	122,803,691	88,194,233
Ferragamo Espana S.L.	EURO	14,963	4,441	8,969	3,615
Ferrimag Limited	HKD	-	127,507	-	126,415
Ferragamo Retail HK Limited	HKD	127,242	(309,254)	181,652	(198,471)
Ferragamo Retail Taiwan Limited	TWD	740,028	435,405	609,118	364,732
Ferragamo Mexico S. de R.L. de C.V.	MXN	1,365,210	816,688	1,295,421	745,713
Ferragamo Retail Nederland B.V.	EURO	4,836	1,401	2,852	1,246
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	CNY	1,090,683	801,592	1,487,790	776,599
Ferragamo (Singapore) Pte. Ltd.	SGD	24,900	(40,079)	14,520	(35,579)
Ferragamo (Thailand) Limited	THB	279,863	(127,460)	135,854	(152,679)
Ferragamo (Malaysia) Sdn Bhd	MYR	54,214	17,906	28,977	12,897
Ferragamo Hong Kong Ltd.	USD	177,660	119,202	202,154	117,947
Gruppo Ferragamo USA	USD	415,461	100,300	381,504	92,849
Ferragamo Deutschland GmbH	EURO	9,194	2,594	6,494	4,992
Ferragamo Belgique SA	EURO	1,591	714	2,024	692
Ferragamo Monte-Carlo S.A.M.	EURO	830	(828)	369	(465)
Ferragamo (Suisse) SA	CHF	8,553	1,653	7,132	1,546
Ferragamo U.K. Limited	GBP	17,643	5,939	13,383	5,665
Ferragamo France S.A.S.	EURO	20,238	10,787	13,508	9,607
Ferragamo Chile S.A.	CLP	1,193,648	790,193	780,176	(1,034,716)
Ferragamo Austria GmbH	EURO	4,215	4,187	2,797	4,073
Ferragamo Retail India Private Limited	INR	-	(468,541)	-	(441,521)
Ferragamo Retail Macau Limited	MOP	43,611	25,555	82,729	59,253
Ferragamo Moda (Shanghai) Co.Ltd.	CNY	207,974	(44,921)	320,194	7,722
Ferragamo Brasil Roupas e Acessorios Ltda.	BRL	59,455	22,538	44,743	22,981
Ferragamo Argentina S.A.	ARS	418,529	48,413	197,463	37,295

50. Significant events occurred after 31 December 2022

On 28 February 2023, Salvatore Ferragamo S.p.A. announced that Ms Anna Zanardi Cappon, Independent Non-Executive Director as well as Chair of the Nomination and Remuneration Committee and member of the Control and Risks Committee, resigned from the Board of Directors of Salvatore Ferragamo S.p.A., effective as of the date of the Shareholders' Meeting held to approve the financial statements for the year 2022. According to the communication received, this decision was taken following her appointment as Chair of another listed company in compliance with the Principles for the Selection of Candidates for Corporate Offices in Listed Companies that Zanardi Cappon joined in order to be included in the list submitted by minority shareholders. In line with Salvatore Ferragamo S.p.A.'s remuneration policy, no termination indemnities or other benefits will be paid.

In its meeting of 2 March 2023, the Board of Directors resolved to call the Ordinary and Extraordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 26 April 2023 to resolve, among other items on the agenda, on: i) the approval of an incentive plan reserved for directors and/or employees and/or collaborators of the Company and the companies of the Salvatore Ferragamo Group; ii) the amendment of the "Restricted Shares" Plan, approved by the Shareholders' Meeting of 14 December 2021, in favor of the Managing Director and General Manager (aligning the underpins with the more challenging objectives of the Strategic Plan); iii) the approval of the 2023 Remuneration Policy; and iv) the appointment of the Board of Statutory Auditors.
For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en/governance/shareholders-meetings/2023*.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro)

Type of services	Subject which supplied the service	Recipient	Notes	Total fees for 2022
Audit	Independent Auditors of the Parent company	Parent company		329
Other Services	i) Independent Auditors of the Parent company	Parent company	1	62
	ii) Independent Auditors' network of the Parent company	Parent company	2	7
Subtotal				**398**
Audit	i) Independent Auditors of the Parent company	Subsidiaries		92
	ii) Independent Auditors' network of the Parent company	Subsidiaries		690
Other Services	Independent Auditors' network of the Parent company	Subsidiaries		42
Subtotal				**824**
Total				**1,222**

1) The item refers to the certification of the Consolidated Non-Financial Statement.
2) This item refers to support services for the preparation of an E-learning course.

Florence, 2 March 2023

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

Statement pursuant to article 154 bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the company's structure and
- the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements for the 1 January – 31 December 2022 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2022 consolidated financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that:

3.1 The consolidated financial statements for the year ended 31 December 2022:

a) have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;

b) correspond with accounting books and records;

c) are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company and of the group of companies included in the consolidation area.

3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company and of the group of companies included in the consolidation area, as well as a description of the main risks and uncertainties to which they are exposed.

Florence, 2 March 2023

Managing Director
Marco Gobbetti

Manager charged with preparing Company's Financial Reports
Alessandro Corsi

INDEPENDENT AUDITOR'S REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Salvatore Ferragamo Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Salvatore Ferragamo Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Salvatore Ferragamo S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories of finished products

Notes to the consolidated financial statements: note 2 "Basis of preparation" and note 12 "Inventories"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2022 include inventories of finished products of €253 million, net of the allowance for inventory write-down of €65 million. Determining the allowance for inventory of finished products write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: • the characteristics of the group's business sector and different geographic areas; • the market performance and fashion trends; • the age of the collection in stock; • pricing policies and sales ability through the different distribution channels. For the above reason, we believe that the measurement of inventories of finished products is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of inventories of finished products and assessing the design and implementation of material controls; • analysing changes in inventories of finished products during the year, considering their expected life cycle based on their age; • analysing documents and discussing the assumptions adopted to calculate the allowance for inventory of finished products write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how finished products will be sold and comparing those assumptions with historical figures and our knowledge of the group and its operating environment; • assessing the appropriateness of the disclosures provided in the notes about inventories of finished products.

Other matters - Management and coordination

As required by the law, the parent disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own consolidated financial statements. Our opinion on the consolidated financial statements of the Salvatore Ferragamo Group does not extend to such data.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The parent's directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The parent's directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2022 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 3 April 2023

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit

SEPARATE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2022

Separate Financial Statements as at 31 December 2022

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Financial Statements

Statement of financial position – assets

(In Euro)	Notes	31 December 2022	of which with related parties	31 December 2021	of which with related parties
NON CURRENT ASSETS					
Property, plant and equipment	5	94,978,017		97,703,434	
Right-of-use assets	6	117,210,060	66,569,022	104,744,422	66,095,837
Goodwill	7	6,679,274		6,679,274	
Intangible assets with a finite useful life	8	32,815,349		31,645,980	
Investments in subsidiaries	9	151,426,655		146,830,295	
Other non current assets	10	2,277,571		1,887,605	
Other non current financial assets	11	157,054	4,800	337,584	72,000
Deferred tax assets	40	14,601,797		23,302,008	
TOTAL NON CURRENT ASSETS		**420,145,777**	**66,573,822**	**413,130,602**	**66,167,837**
CURRENT ASSETS					
Inventories	12	73,378,165		80,515,271	
Right of return assets	13	12,654,331		11,759,267	
Trade receivables	14	161,113,992	135,539,248	165,077,406	131,147,473
Tax receivables	15	16,397,959		16,917,269	
Other current assets	16	13,706,558	460	7,001,740	2,566,859
Other current financial assets	17	132,454,274	122,199,343	98,902,766	98,306,561
Cash and cash equivalents	18	268,832,953		356,104,668	
TOTAL CURRENT ASSETS		**678,538,232**	**257,739,051**	**736,278,387**	**232,020,893**
TOTAL ASSETS		**1,098,684,009**	**324,312,873**	**1,149,408,989**	**298,188,730**

Statement of financial position – liabilities and shareholders' equity

(In Euro)	Notes	31 December 2022	of which with related parties	31 December 2021	of which with related parties
SHAREHOLDERS' EQUITY					
Share capital	19	16,879,000		16,879,000	
Reserves	19	568,763,282		616,143,464	
Net profit/(loss) for the period		89,239,108		32,799,914	
TOTAL SHAREHOLDERS' EQUITY		**674,881,390**		**665,822,378**	
NON CURRENT LIABILITIES					
Non current interest-bearing loans & borrowings	20	-		52,011,308	
Provisions for risks and charges	21	38,211,369		46,943,249	
Employee benefit liabilities	22	5,310,096		6,332,987	
Other non current liabilities	23	1,930,509	1,462,480	370,822	-
Non current lease liabilities	24	111,673,808	64,985,555	96,452,082	62,481,021
Deferred tax liabilities	40	5,174,724		2,897,557	
TOTAL NON CURRENT LIABILITIES		**162,300,506**	**66,448,035**	**205,008,005**	**62,481,021**
CURRENT LIABILITIES					
Trade payables	25	143,463,986	25,425,789	149,596,398	12,295,694
Refund liabilities	26	22,576,538		18,635,648	
Interest-bearing loans & borrowings	20	21,389,547	21,389,547	57,161,992	-
Tax payables	27	8,540,842		4,733,374	
Other current liabilities	28	50,184,167	27,418,799	32,760,873	1,868,804
Current lease liabilities	24	14,250,851	7,452,958	15,177,449	8,100,939
Other current financial liabilities	29	1,096,182		512,872	
TOTAL CURRENT LIABILITIES		**261,502,113**	**81,687,093**	**278,578,606**	**22,265,437**
TOTAL LIABILITIES		**423,802,619**	**148,135,128**	**483,586,611**	**84,746,458**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,098,684,009**	**148,135,128**	**1,149,408,989**	**84,746,458**

Income statement

(In Euro)	Notes	2022	of which with related parties	2021	of which with related parties
Revenues from contracts with customers	31	740,233,835	567,447,624	564,002,658	404,133,802
Change in inventories of finished products		8,032,835		(21,821,700)	
Costs for raw materials, goods and consumables	32	(190,137,501)	(231,160)	(150,135,473)	(299,445)
Costs for services	33	(269,308,869)	(5,407,938)	(202,286,107)	(10,033,854)
Personnel costs	34	(98,424,941)	(22,496,156)	(70,173,431)	(1,932,845)
Amortization, depreciation and write-downs	35	(39,288,429)	(8,910,903)	(40,206,176)	(7,865,274)
Other operating costs	36	(29,751,988)	(22,535,170)	(34,894,021)	(30,029,764)
Other income	37	22,519,374	10,374,918	15,709,111	3,516,586
Operating profit/(loss)		**143,874,316**		**60,194,861**	
Financial charges	38	(71,798,795)	(2,352,940)	(42,921,979)	(2,232,622)
Financial income	39	53,633,886	13,520,426	33,879,425	11,858,131
Profit/(loss) before taxes		**125,709,407**		**51,152,307**	
Income taxes	40	(36,470,299)		(11,482,713)	
Net profit/(loss) from continuing operations		**89,239,108**		**39,669,594**	
Net profit/(loss) from discontinued operation		-	-	(6,869,680)	(1,699,061)
Net profit/(loss) for the period		**89,239,108**		**32,799,914**	

Statement of comprehensive income

(In thousands of Euro)	Notes	2022	2021
Net profit/(loss) for the period (A)		**89,239**	**32,800**
Other income/(losses) that will be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from cash flow hedge	3	17,921	(15,167)
- Tax consequences on components that will be subsequently reclassified to net profit/(loss) for the period		(4,301)	3,640
		13,620	**(11,527)**
Total other gains / (losses) that will be subsequently reclassified to net profit/(loss) for the period, net of taxes (B1)		**13,620**	**(11,527)**
Other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period			
- Net gain/(loss) from recognition of defined-benefit plans for employees	22	633	757
- Tax consequences on components that will not be subsequently reclassified to net profit/(loss) for the period		(151)	(182)
		482	**575**
Total other income/(losses) that will not be subsequently reclassified to net profit/(loss) for the period, net of taxes (B2)		**482**	**575**
Total other income/(losses) for the period, net of taxes (B1+B2 = B)		**14,102**	**(10,952)**
Total comprehensive income for the period, net of taxes (A+B)		**103,341**	**21,848**

Statement of cash flows

(In Euro)	Notes	2022	of which with related parties	2021	of which with related parties
NET PROFIT/(LOSS) FOR THE PERIOD		**89.239.108**		**32.799.914**	
Adjustments to reconcile net profit (loss) to net cash from (used in) operating activities:					
Amortization, depreciation and write-downs of tangible and intangible assets and right-of-use assets	5-6-8	39,288,429	8,910,903	42,328,531	7,865,274
Income taxes	40	36,470,299		11,644,261	
Provision for employee benefit plans	22	28,499		(10,158)	
Allocation to / (use of) the provision for obsolete inventory	12	(1,210,816)		(180,466)	
Allocation to / (use of) the provisions for risks and charges	21	549,390		(81,050)	
Losses and net provisions for bad debt	14	111,653	-	(2,279,717)	-
Losses / (gains) on disposal of tangible and intangible assets		2,747		48,213	
Write-down / (revaluation) of investments in subsidiaries	9	14,536,211		10,836,766	
Stock grant plan costs	34	6,585,637	6,585,637	-	-
Interest expense and interest expense on lease liabilities	38	3,905,839	2,174,395	3,822,246	2,232,622
Interest income	39	(2,323,238)	(1,714,148)	(1,477,143)	(1,294,510)
Dividend income from subsidiaries	39	(11,211,684)	(11,211,684)	(10,563,596)	(10,563,596)
Other non-monetary items		2,596,319	-	(123,112)	(299,064)
Changes in operating assets and liabilities:					
Trade receivables	14	4,444,709	(4,391,775)	2,013,524	(18,961,324)
Inventories	12	8,347,923		17,317,133	
Trade payables	25	(5,755,080)	13,130,095	20,989,977	(13,455,673)
Other receivables and tax payables	15-27	2,091,769		(15,453,979)	
Employee benefits payments	22	(418,353)		(1,222,917)	
Other assets		(2,166,215)	2,633,599	2,578,685	(2,000)
Other liabilities		7,319,305	27,012,475	6,877,839	522,420
Other net	21	(933,332)		(1,238,069)	
Income taxes paid		(6,429,331)	-	(1,281,523)	-
Interest expense and interest expense on lease liabilities paid		(3,665,125)	(2,356,418)	(3,838,531)	(2,246,934)
Interest received		2,323,238	1,714,148	1,477,143	1,294,510
Dividends received		11,211,684	11,211,684	10,563,596	10,563,596
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**194,939,585**	**53,698,911**	**125,547,567**	**(24,344,679)**
Cash flow from investing activities:					
Purchase of tangible assets	5	(8,361,268)	(2,000)	(5,061,534)	(65,000)
Purchase of intangible assets	8	(12,459,033)		(7,290,189)	
Acquisition of Arts S.r.l. and Aura 1 S.r.l. net of cash acquired		-		(3,628,943)	
Proceeds from the sale of Parfums Italia S.r.l. net of cash sold		-		17,128,000	
Proceeds from the sale of tangible and intangible assets		51,803		48,137	
Investments in subsidiaries	9	(25,550,767)		-	
Net change in other current financial assets	17	(33,891,782)	(23,892,782)	54,344,813	54,344,813
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(80,211,047)**	**(23,894,782)**	**55,540,284**	**54,279,813**

(In Euro)	Notes	2022	of which with related parties	2021	of which with related parties
Cash flow from financing activities:					
Net change in financial payables	20	(87,783,753)	21,389,547	(17,457,310)	-
Repayment of lease liabilities	24	(14,814,291)	(7,872,884)	(14,819,330)	(6,994,331)
Dividends paid	19	(56,732,542)	(40,688,109)	-	-
Treasury share repurchase	19	(42,669,667)		(12,756,513)	
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**(202,000,253)**	**(27,171,446)**	**(45,033,153)**	**(6,994,331)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(87,271,715)**		**136,054,698**	
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**356,104,668**		**212,453,231**	
Increase/(decrease) in cash and cash equivalents		(87,271,715)		136,054,698	
Cash acquired by Ferragamo Parfums S.p.A.		-		7,596,739	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	**268,832,953**		**356,104,668**	

Statement of changes in shareholders' equity

Note 19

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2022	**16,879**	**(15,532)**	**4,188**	**2,995**	**594,520**	**25,478**	**(6,404)**	**(1,612)**	**12,510**	**32,800**	**665,822**
Profit/(loss) for 2022										89,239	89,239
Other comprehensive income/(losses)							13,620	482			14,102
Total comprehensive income/(loss)	**-**		**-**	**-**	**-**	**-**	**13,620**	**482**	**-**	**89,239**	**103,341**
Allocation of 2021 result					32,800					(32,800)	-
Distribution of dividends					(56,735)						(56,735)
Treasury share repurchase		(42,670)									(42,670)
Stock Grant Reserve									5,123		5,123
As at 31.12.2022	**16,879**	**(58,202)**	**4,188**	**2,995**	**570,585**	**25,478**	**7,216**	**(1,130)**	**17,633**	**89,239**	**674,881**

(In thousands of Euro)	Share capital	Treasury share reserve	Legal reserve	Share capital contributions	Extraordinary reserve	Revaluation reserve	Cash flow hedge reserve	Effect IAS 19 Equity	Other reserves	Net profit/ (loss) for the period	Total shareholders' equity
As at 01.01.2021	**16,879**	**(2,776)**	**4,188**	**2,995**	**628,530**	**25,478**	**5,123**	**(1,706)**	**12,089**	**(34,070)**	**656,730**
Profit/(loss) for 2021										32,800	32,800
Other comprehensive income/(losses)							(11,527)	575			(10,952)
Total comprehensive income/(loss)	**-**		**-**	**-**	**-**	**-**	**(11,527)**	**575**	**-**	**32,800**	**21,848**
Allocation of 2020 result					(34,070)					34,070	-
Treasury share repurchase		(12,756)									(12,756)
Other changes from Merger								(481)	481		-
Reclassification					60				(60)		-
As at 31.12.2021	**16,879**	**(15,532)**	**4,188**	**2,995**	**594,520**	**25,478**	**(6,404)**	**(1,612)**	**12,510**	**32,800**	**665,822**

Explanatory Notes to the Separate Financial Statements

1. Corporate information

Salvatore Ferragamo S.p.A. is incorporated in Italy, with registered office in via Tornabuoni 2 Florence, as a joint-stock company under Italian law and adopts a conventional administration and control model, with the Shareholders' Meeting, the Board of Directors, and the Board of Statutory Auditors. The Company's Shares are traded on Euronext Milan (formerly known as Mercato Telematico Azionario), organized and operated by Borsa Italiana S.p.A..

The Company is one of the main players in the luxury sector and dates back to 1927.
The separate financial statements for the year ended 31 December 2022 were approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 2 March 2023.

The Company is active in the creation, production and sale of luxury goods for men and women: footwear, leather goods, apparel, silk goods, jewels, and other accessories. The product range also includes fragrances, eyewear, and watches manufactured under license by third parties. Salvatore Ferragamo S.p.A. is also active in the licensing of the Salvatore Ferragamo brand.

The Salvatore Ferragamo Group is present in more than 90 countries around the world, directly through subsidiaries in 26 countries, and sells its products primarily through a network of Salvatore Ferragamo flag-ship stores, both directly operated (DOS) and through third parties, as well as through a significant and well-established presence in department stores and multi-brand specialty stores, and through the e-commerce channel. For further details on the of the Company's main activities, reference is made to the Board of Directors' report on operations.

1.1 Management and coordination

Pursuant to art. 2497 and ff. of the Italian Civil Code, the Company Salvatore Ferragamo S.p.A. is subject to management and coordination by Ferragamo Finanziaria S.p.A., whose consolidated financial statements are available at the registered office in Florence, Via Tornabuoni, 2.

In compliance with the provisions of art. 2497-bis, paragraph 4 of the Italian Civil Code, the key data from the financial statements of the Holding company Ferragamo Finanziaria S.p.A. as at 31 December 2021 and 2020 is given below.

Ferragamo Finanziaria S.p.A.

(In Euro)	31 December 2021	31 December 2020
STATEMENT OF FINANCIAL POSITION		
ASSETS		
B) Fixed assets	174,132,690	170,394,472
C) Current assets	35,403,201	47,129,668
D) Accruals and Deferrals	2,273	20,122
TOTAL ASSETS	**209,538,164**	**217,544,262**
LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity		
- Share capital	49,749,960	49,749,960
- Reserves	153,550,236	165,265,596
- Profit (loss) for the year	(1,226,880)	(1,669,694)
B) Provisions for risks and charges	-	22,272
D) Payables	7,152,175	3,787,573
E) Accruals and Deferrals	312,673	388,555
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**209,538,164**	**217,544,262**
INCOME STATEMENT		
A) Value of production	336,391	230,277
B) Costs of production	(2,933,122)	(2,866,086)
Difference between value and costs of production	**(2,596,731)**	**(2,635,809)**
C) Financial income and charges	506,626	12,326
Profit before taxes	**(2,090,105)**	**(2,623,483)**
Income taxes for the year, current and deferred	863,225	953,789
Profit/(loss) of the year	**(1,226,880)**	**(1,669,694)**

2. Statement of compliance with IFRS and basis of presentation

The Separate Financial Statements of Salvatore Ferragamo S.p.A. have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board ("IASB") adopted by the European Union and in force at the reporting date. The explanatory notes to the separate financial statements have been supplemented with the extra information requested by CONSOB and by the provisions it has issued in implementation of art. 9 of Leg. Decree 38/2005 (resolutions 15519 and 15520) dated 27 July 2006 and communication DEM/6064293 dated 28 July 2006, pursuant to art. 78 of the Issuers' Regulation, the EC document of November 2003 and, where applicable, the Italian Civil Code. The term "IFRS" used herein includes International Accounting Standards ("IAS") which are still in force as well as all the interpretations issued by the IFRS Interpretation Committee, previously referred to as International Financial Reporting Interpretations Committee ("IFRIC") and before that Standing Interpretations Committee ("SIC").

Financial statement structure adopted

The separate financial statements of Salvatore Ferragamo S.p.A. as at 31 December 2022 comprise the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity and the related explanatory notes.

The statement of financial position, the income statement and the statement of cash flows are presented in Euro, while the statement of comprehensive income and the statement of changes in shareholders' equity and the related explanatory notes are presented in thousands of Euro, unless otherwise indicated.

The Company's statement of financial position distinguishes between current and non current assets and liabilities, where:

- non current assets refer to positive balances to be realized after more than 12 months and include intangible, tangible and financial assets and deferred tax assets;
- current assets refer to positive balances to be realized within 12 months;
- non current liabilities refer to liabilities due after more than 12 months, including financial payables, provisions for risks and charges and employee benefit liabilities and deferred tax liabilities;
- current liabilities refer to liabilities due within 12 months, including the short-term portion of medium/long-term loans, provisions for risks and charges and employee benefit liabilities.

The income statement is shown in accordance with a classification of costs by nature. The statement of cash flows has been prepared according to the indirect method and is presented in compliance with IAS 7, breaking down financial flows into operating, investing and financing activities.

It should be noted that in reference to CONSOB Resolution no. 15519 of 27 July 2006 and Communication no. DEM/6064293 of 28 July 2006, the financial statements show significant transactions with related parties, in order to provide better disclosure.

All amounts are expressed in Euro and are rounded to the nearest thousand Euro, unless otherwise indicated.

Accounting standards

General notes

The Separate Financial Statements have been prepared according to the historical cost principle, except for derivatives and financial assets classified as held for sale, which are recorded at fair value and on a going concern basis.

The accounting standards adopted in the Separate Financial Statements as at 31 December 2022 are the same as those adopted in previous years with the exception of international accounting standards newly adopted in 2022. For more details, please refer to "Changes in international accounting standards".

Discretionary valuations and significant accounting estimates

The preparation of the Separate Financial Statements has entailed the use of estimates and assumptions, both in determining some assets and liabilities, and in assessing contingent assets and liabilities, by using the best available information. Actual results might not fully correspond to estimates.

The main estimated data refer to:

- provisions for obsolete inventory of raw materials, accessories and finished products; since the Company's products are subject to market trends and changes in fashion trends, product inventories at the end of the season are subject to impairment. Specifically, the provision for obsolete inventory of finished products reflects management's estimate of the expected impairment losses on the products of the collections of previous seasons, considering the ability to sell them through the Company's various distribution channels. Generally, impairment assumptions involve percentages of impairment that become greater the older the collections are, so as to reflect the decline in selling prices in secondary channels (mainly outlets) on the one hand, and on the other hand, the decrease in the probability of selling them as time goes by. This percentage is based on both a statistical analysis of the change in inventory age and an assessment of the consistency in the use of percentages over time. In case of changes in available information, the percentages are reassessed and adjusted as needed. The provision for obsolete raw materials reflects management's estimates of the decline in the probability they will be used based on the calculation of slow-moving raw materials;
- provision for bad debt relating to wholesale sales, which is linked to the solvency and standing of customers with whom the Company has well-established and consolidated relations; the Company uses a matrix to calculate Expected Credit Losses (ECLs) on trade receivables. The provisioning rates are based on the days past due for each customer category grouped in the different segments that present similar historical loss experiences (for instance, by geographic area, product type, customer type, rating, and guarantees). The matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (for example, country risk) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the country concerned, the historical default rates are adjusted accordingly. At every reporting date, the Company updates historical observed default rates and analyzes changes in forward-looking estimates. The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. For more details on the analysis of credit risks, please refer to notes 3 and 14;
- provisions for risks and charges, in particular expected future expenses and costs relating to ongoing or foreseeable disputes;
- rights of return to adjust revenues from contracts with customers, where envisaged under contracts to sell items or customary business practices. The Company has concluded that the expected value method is the most appropriate to estimate the amount of variable consideration on sales of goods with rights of return, considering the large number of contracts with similar characteristics;

- useful life of property, plant and equipment and intangible assets, as well as ensuring that development costs meet the recognition and measurement requirements for intangible assets;
- employee benefits, which are measured using actuarial assumptions; for the main actuarial assumptions, reference should be made to note 22 Employee benefit liabilities;
- deferred tax assets, which are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or any tax losses can be utilized. In this regard, the Company's management estimates the likely timing and amount of future taxable profit;
- fair value of financial instruments, chief among them derivative instruments, which the Company uses extensively to hedge exchange rate risk; for details about the assumptions underlying the measurement of fair value, reference should be made to notes 3 and 30;
- fair value of share-based payment plans, settled in either cash or shares, that the Company uses to provide incentives to the Group's management; for details about the assumptions underlying the measurement of share-based payment plans at fair value, reference should be made to note 40;
- risk of defeat in the disputes involving the Company; the Company recognizes a liability when facing legal disputes and lawsuits if it believes it is probable that they will require an outflow of financial resources and a reliable estimate can be made of the amount of the potential losses. Given the uncertainty surrounding the outcome of these proceedings, it is hard to reliably estimate the outflow of resources that will be required to settle them, therefore the amount of the provisions for legal disputes may change as a result of future developments in the outstanding proceedings. The Company monitors the status of ongoing lawsuits and proceedings and consults with its legal advisors as well as legal experts. Moreover, the Company assesses uncertain tax positions and, if required, recognizes a liability.

With reference to IFRS 16, the Company made the significant accounting estimates reported below in its capacity as lessee:

- Lease term: the identification of the lease term is a very significant issue, as the form, regulations, and business practices related to property lease agreements vary significantly from one jurisdiction to another, and assessing the impact on the estimated lease term of the options to renew the lease at the end of the non-cancellable period requires using assumptions. The IFRS Interpretation Committee clarified that, for the purposes of identifying the enforceable period, a lessee shall consider the contractual moment when both parties may exercise their right to terminate the contract without incurring penalties that are not immaterial; the concept of penalty is not to be interpreted in a strictly contractual sense, but shall rather be viewed considering all the economics of the contract. The Company has considered these conclusions in identifying the lease term. In defining the lease term, the Company considered whether either the lessee or lessor, or both, have renewal and termination options, respectively. When renewal options exercisable by both parties to the agreement exist, the Company considered whether there are significant economic disincentives to refuse the renewal request, in accordance with paragraph B34 of IFRS 16. When there are options exercisable by only one of the two parties, the Company considered paragraph B35 of IFRS 16.
  Applying the above, considering the specific facts and circumstances as well as the estimate of whether it will be reasonably certain that the option will be exercised, resulted in the following:
  - For annual leases that are automatically renewed except in the event of termination, the Company considered an average term of five years based on historical evidence;
  - In the other cases, if only the Company can exercise the option, we considered a lease term until the end of the second renewal term, based on historical evidence and the fact that a renewal beyond the second term could not be considered reasonably certain.

  After the lease commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Company and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

- Definition of the discount rate: as most leases entered into by the Company do not contain an implicit interest rate, the Company calculated an Incremental Borrowing Rate (IBR). To determine the IBR it should use to discount future lease payments, the Company identified existing leases as a portfolio of leases with similar characteristics and determined the relevant IBR as the interest rate of a risk-free instrument in Italy (where the leases were entered into), based on the different lease terms, increased by the Group's Credit spread.

The estimates and the assumptions are made by directors with the assistance of company departments and, when appropriate, independent experts, and are periodically reviewed – recognizing, if necessary, the impact of each change in the income statement in the period in which these estimates and assumptions should differ from actual circumstances.

Impairment/Restatement of Tangible assets (Property, plant and equipment), Right-of-use assets, Intangible assets with a finite useful life, Investments, and Goodwill

The book value of Property, plant and equipment, Right-of-use assets, Intangible assets with a finite useful life, and Investments is subject to impairment testing when there are indicators of impairment (events or changed situations suggesting that the book value cannot be recovered) which require an immediate assessment of impairment, or when events have occurred which require the procedure to be repeated. Impairment exists when the book value of an asset or cash flow generating unit exceeds its recoverable value, which is the higher of its fair value less the costs of sale and its value in use. The calculation of the fair value less the costs of sale is based on the data available from sale transactions between free and independent parties involving similar assets or observable market prices, less the extra costs relating to the disposal of the asset. The value in use is calculated based on discounted cash flow models using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset.

With regard to equity investments, the impairment test is carried out by considering the individual geographic areas in which the subsidiaries operate as cash-generating units ("CGUs").

The cash flows are taken from the estimates made by management, which represent the best estimate made by the Company on the economic conditions set for the plan period. The plan forecasts refer to a time period of three years and the long-term growth rate (g) used to estimate the terminal value of the asset was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates. Cash flows do not include restructuring activities for which the Company does not have a current obligation, or significant future investments which will increase the yield on the assets that make up the cash flow generating unit that is being valued. The recoverable amount is very dependent on the discount rate used in the discounted cash flow model and also on the expected future incoming cash flows and on the growth rate used for the purposes of the extrapolation.

Goodwill is tested for impairment at least once a year (as at 31 December) or more often, when circumstances indicate that the carrying amount may be subject to impairment.

The impairment loss for goodwill is determined by measuring the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated. Where the recoverable amount of the cash-generating unit is lower than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. An impairment loss recognized for goodwill shall not be reversed in subsequent periods.

Climate change impact assessment

In line with the priorities defined by the European Securities and Market Authority (ESMA) of 28 October 2022 for the 2022 reporting year, as indicated in the section "Main risks and uncertainties" of the Board of Directors' report on operations, the Company has identified possible environmental risk factors across the various types of risk and monitors the continuous evolution of the regulatory framework, both national and international.

Specifically, climate change and the public's attention on this issue could affect customer preferences, causing changes in purchases of certain product categories – not core to the Company's business – and potentially the procurement of certain raw materials, while at the moment it is not possible to contemplate a reduction in the quality of the same. Therefore, the Company monitors climate change-related risks to reduce any repercussions on its operations. Moreover, the Company monitors the constant evolution of the domestic and international regulatory framework as well as the potential introduction of additional regulations aimed at reducing the environmental impacts of the business.

The impact of climate-related matters on the of the Company's financial statements is currently not material and has not resulted in any significant assessments of budget estimates. The Company will continue to monitor this exposure by specifically assessing the impact on production costs related to the introduction of emission-reduction regulations and, if there is a significant impact, the Company will include these assumptions in its estimates.

In order to accelerate the adoption of renewable energy sources, in 2022 the Company, together with the Fashion Pact, participated with 11 other brands in the project to launch a Collective Virtual Power Purchase Agreement (CVPPA) for the European region, which will only start in the next few years. It is estimated that its impact on the financial statements will not be significant.

Disclosure on impairment

Based on the provisions of the impairment test procedure approved by the Board of Directors, the Company undertook an analysis to identify any indicators of impairment and/or impairment losses on assets or whether any grounds for the write-down in previous years no longer exist.

In 2022, the Company performed well in terms of both revenues and margins, although some of the areas in which the subsidiaries operate showed a slowdown in growth in the second half of the year.

In 2022, the macroeconomic scenario showed signs of recovery compared to the previous two-year period (2020 - 2021), when it had been negatively affected by the effects of the Covid-19 pandemic, but remained uncertain due to both the Russian-Ukrainian conflict and the strong inflationary pressures in the world's major economies, as well as by the rise in interest rates with a consequent reduction in consumers' spending propensity and power, and the recurrence of the pandemic and the zero-Covid policy led to new closures and restrictions on people and commerce in China. As a result, the economic growth estimates released by the International Monetary Fund, although still positive, were revised downwards during the year.

With regard to the assets that had been tested for impairment as at 31 December 2020 and for which an impairment loss had been recognized, it was decided not to reinstate the value in 2022, given the still uncertain macroeconomic scenario, as described above, particularly in Europe and North America.

With reference to the other CGUs, the analysis carried out did not identify any indicators of possible impairment losses as at 31 December 2022 (known as trigger events), as it is believed that the uncertainties that characterized them were caused by contingent situations, such as those in the Chinese area, and therefore not lasting.

Property, plant and equipment

Tangible assets are recorded at historic cost, including the additional costs directly attributable and necessary to use the asset for the purpose for which it has been bought. This cost includes the costs to replace part of the plant and equipment when incurred, if they comply with the recognition criteria. The net value (cost less accumulated depreciation and accumulated impairment) of parts of replaced plant and equipment is recognized in the income statement at the time of replacement.

Maintenance and repair expenses, which do not involve the creation of value from and/or extension of the residual life of the assets, are recognized in the income statement in the year in which they are incurred, otherwise they are capitalized.

Tangible assets are shown net of the related accumulated depreciation and any accumulated impairment determined in accordance with the method described below. Depreciation is calculated on a straight-line basis according to the estimated useful life of the asset, which is reviewed on an annual basis and any changes, if necessary, are applied on a prospective basis.

The useful lives of the main classes of tangible assets are as follows:

	Useful life
Buildings	33 years
Plant and Equipment	5 years
Industrial and commercial equipment	5 years
Other assets:	
- Office furniture and furnishings	5.5 years
- Electronic machines	3 years
- Historic collection	5 years
- Vehicles	4 years
Leasehold improvements	On the basis of the residual term of the asset's lease contract

The residual value of the asset, its useful life, and the depreciation methods applied are reviewed at the end of each year and adjusted on a prospective basis if necessary.

Should significant parts of these tangible assets have different useful lives, these components are accounted for separately. Land, whether it is free of construction or attached to buildings, is recorded separately and is not depreciated since it has an unlimited useful life.

The book value of property, plant and equipment is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value of property, plant and equipment is the higher of the net sale price and the value in use.

In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

The carrying amount of an item of property, plant and equipment and each initially recognized significant component is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. The gain/loss arising from the derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is included in profit or loss when the item is derecognized.

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if it provides the right to control the use of a specific asset for a period of time in exchange for consideration.

The Company uses the exemption under IFRS 16 for intangible assets.

The Company as lessee

The Company applies a single accounting model for all leases to which it is lessee, except for short-term leases and leases of low-value assets. The Company recognizes a financial lease liability and a right-of-use asset.

Right-of-use assets:

The Company recognizes a Right-of-use asset at the lease commencement date (that is the date on which the underlying asset is available for use by the lessee). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses determined as described below, and adjusted for any remeasurement of lease liabilities. The cost of Right-of-use assets includes the amount of the recognized lease liability, initial direct costs incurred, lease payments made at or before the commencement less any lease incentives received, and the estimate of costs to be incurred by the Company in restoring the underlying asset to its original condition, if required by the lease.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated on a straight-line basis over the shorter of the lease term and the useful life of the asset as follows:

	Useful life
Buildings	33 years
Equipment and other assets	3-5 years
Vehicles	3-4 years

Right of-use assets are tested for impairment should events or changes in circumstances indicate that the book value cannot be recovered. If there is an indication of impairment, and should the book value exceed the presumed realizable value, assets are written down to reflect their realizable value. The realizable value is the higher of the net sale price and the value in use. In defining the value in use, the expected future cash flows are discounted using a pre-tax discount rate which reflects the current market estimate of the cost of money over time and the specific risks of the asset. The realizable value of an asset which does not generate broadly independent cash flows is determined in relation to the cash flow generating unit to which this asset belongs. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Lease liabilities:
At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of future lease payments to be made over the lease term. Future payments include fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the Company is reasonably certain to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate, but that in the case of the Company mainly depend on sales volumes, continue to be recognized as costs for services in profit or loss. In calculating the present value of future payments, the Company uses the Incremental Borrowing rate (IBR) at the lease commencement date. Subsequently, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured to account for any change in the terms of the lease.

Short-term leases and leases of low-value assets:
the Company has elected not to apply IFRS 16 to short-term leases (leases with a lease term of 12 months or less) and leases for which the underlying asset is of low value (less than 5,000 Euro). Payments on these leases are recognized as expense on a straight-line basis in accordance with the terms and conditions of the lease.

The Company as lessor
Lease contracts in which the Company largely retains all the risks and benefits of ownership of the asset are classified as operating leases.
The Company capitalizes the initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Business combinations and goodwill
Business combinations are accounted for using the acquisition method.

The acquisition cost is valued as the total of the transferred consideration measured at fair value at the acquisition date and the amount of any minority interests in the acquired company.

Business combinations between entities subject to joint control do not fall within the scope of application of IFRS 3. Should the business combination between entities subject to joint control not be of an economic nature but a mere corporate reorganization, the company will apply the business combination accounting method called "pooling of interest", thus aggregating the assets and liabilities to the book values on a line-by-line basis.

Intangible assets

Intangible assets are recorded among assets at purchase cost when the use of the asset is likely to generate future income and when the cost of the asset can be reliably established. Intangible assets acquired through business combinations are recorded at fair value as established at the acquisition date, if this value can be reliably established. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful life; the useful life is reviewed on an annual basis and any changes, where necessary, are applied on a prospective basis.

Intangible assets are shown net of the related accumulated amortization and any accumulated impairment determined in accordance with the method described below.

The useful lives of the main categories of intangible assets with a finite useful life are the following:

	Useful life
Industrial patents and intellectual property rights	2-5 years
Concessions, licenses and trademarks	10 years
Development costs	3-5 years
Know-how	8 years

An intangible asset is derecognized on disposal (i.e. on the date the buyer obtains control over it) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The book value of intangible assets is subject to review to record any impairment, should events or changed situations indicate that the book value cannot be recovered. Impairment is recognized in the income statement under amortization, depreciation and write-down costs. Impairment is restored should the reasons for it no longer exist.

Development costs

Research costs are charged to the income statement when they are incurred.

Development costs incurred in relation to a particular project are capitalized only when the Company can demonstrate the technical possibility of completing the intangible asset in such a way as to make it available for use or for sale, as well as its intention to complete the asset in order to use it or sell it, the means by which it will generate probable future income, the availability of technical, financial or other resources to complete the development and its ability to make a reliable assessment of the cost attributable to the asset during its development.
During the development period, the asset is reviewed annually to assess any impairment. Following the initial recognition, development costs are assessed at cost less any accumulated amortization or impairment loss. Amortization of the asset starts when the development is completed and the asset is available for use. It is amortized with reference to the period in which the project is likely to generate revenues for the Company.

Industrial patents and intellectual property rights

Industrial patents and intellectual property rights refer to costs for software licenses and to costs for the deposit and registration of trademarks and patents relating to Company products.

Concessions, licenses, trademarks and similar rights
This item refers to costs for the deposit and registration of the Salvatore Ferragamo trademark. Purchase costs are amortized over the useful life of the right purchased.

Know-how
The item includes the know-how acquired through the business combination of Arts S.r.l. and Aura 1 S.r.l., recognized at its fair value at the acquisition date. This charge is amortized over 8 years.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
The general rule in IFRS 9 is that an entity shall recognize a financial asset or a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial assets
On initial recognition, financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The assessment of the contractual cash flow characteristics is known as the SPPI ("solely payments of principal and interest") test and is conducted for each instrument. However, identical financial instruments may be analyzed in groups, since the outcome of the test would not be different than under an individual or separate assessment.

The Company's business model for managing financial assets refers to how the Company manages financial assets in order to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, sales proceeds, or both. Based on these characteristics, financial assets are classified into four categories:
- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments);
- Financial assets at fair value through other comprehensive income without reclassification of cumulative gains or losses on disposal (equity instruments);
- Financial assets at fair value through profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

After initial recognition, the Company measures financial assets at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include trade receivables, loans to subsidiaries, and guarantee deposits.

Financial assets at fair value through other comprehensive income (debt instruments)
The Company measures debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through other comprehensive income, gains and losses are recognized through other comprehensive income except for changes resulting from exchange differences and impairment losses, as well as reversals, which are recognized in the statement of profit or loss. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss; the amounts recognized through profit or loss are the same that would have been recognized if the financial assets had always been measured at amortized cost. The Company currently does not have this type of instruments.

Investments in equity instruments
Under IFRS 9, all equity instruments, including derivatives on these instruments, shall be measured at fair value through profit or loss on the assumption that they do not give rise to the contractual cash flows required to pass the SPPI test. However, upon initial recognition, the Company may irrevocably classify its equity investments as equity instruments at fair value through other comprehensive income when they meet the definition of equity instruments as per IAS 32 "Financial Instruments: Presentation" and are not held for trading. The classification is determined for each individual instrument. This category includes Investments in subsidiaries.

Investments
Investments in subsidiaries are measured at purchase cost, in compliance with the provisions of IAS 27.
Should there be indications that the cost is no longer recoverable in full or in part, the carrying amount is reduced to the relevant recoverable amount, in accordance with the provisions of IAS 36. When, subsequently, this loss is reversed or reduced, the carrying amount is increased to the new estimated recoverable amount, which cannot exceed the original cost.

Financial assets at fair value through profit or loss
In general, IFRS 9 defines the classification at fair value through profit or loss as a residual category to be applied to all those financial assets that, because of their contractual characteristics, are not measured at amortized cost or at fair value through other comprehensive income. However, the Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise from recognizing the gains and losses on the asset on different bases. Although this may be considered an accounting policy choice, the standard does not require applying it consistently to all similar transactions.
Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value, with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments. Derivatives, including separated embedded derivatives, are classified as financial instruments held for trading, unless they are designated as effective hedging instruments.

A derivative embedded in a non-derivative hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

Reclassification

A financial asset is reclassified only if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be expected or the Company changes its business model for managing financial assets. The reclassification shall be applied prospectively from the date of reclassification, without restating any previously recognized gains, losses, and interest.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, whereby it retains the contractual rights to receive cash flows from the asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When all the risks and rewards of ownership of the financial assets are substantially transferred, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities; otherwise, the financial asset continues to be recognized. When it has neither transferred nor retained substantially all of the risks and rewards, nor lost control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement; when control over the financial assets is not retained, the Company derecognizes the financial asset and recognizes any rights and obligations created or retained as separate assets or liabilities. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. Specifically, the impairment model applies to all financial assets measured at amortized cost and at fair value through other comprehensive income, but not to financial assets at fair value through profit or loss. In addition, the following types of instruments also fall within the scope of the model:

- Loan Commitments not measured at FVTPL;
- Financial guarantees within the scope of IFRS 9;
- Lease receivables within the scope of IFRS 16;
- Contract Assets within the scope of IFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The cash flows that the Company expects to receive depend on the probability of a default by the counterparty and the amount it expects to be able to recover; the expected cash flows will therefore include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under the general approach of the Standard, the impairment of financial assets is determined based on the monitoring of the counterparties' credit standing. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. More specifically, for the above financial assets, the Company adopts the practical expedient of the provision matrix to calculate impairment, i.e. has established a matrix system based on historical collection information, adjusted for forward-looking factors specific to the debtors and the economic environment, as a means to determine expected credit losses.

Financial liabilities

Financial liabilities are classified and measured at amortized cost using the effective interest rate method, except for those financial liabilities that are classified at fair value through profit or loss because they do not meet the conditions for the measurement at amortized cost. This is the case of financial liabilities held for trading. In addition, the Company may, at initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so would result in more relevant information, as:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases;
- a group of financial assets or liabilities is managed and measured at fair value in accordance with a risk management policy or based on an investment strategy, and information about the group is provided internally on that basis to key management personnel.

Derivatives with negative fair values are also classified and measured at fair value through profit or loss, except for those held as effective hedging instruments. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings as well as payables, directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

The measurement of financial liabilities depends on their classification as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss: financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of settling or transferring them in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities are designated at fair value through profit or loss upon initial recognition, only if the criteria in IFRS 9 are satisfied. Upon initial recognition, the Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings): after initial recognition, loans are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.
It is not possible to reclassify financial liabilities.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Company uses derivative financial instruments such as: foreign exchange forward contracts, to hedge financial risks relating to exchange rate fluctuations affecting commercial transactions in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As allowed under IFRS 9 paragraph 7.2.21, the Company elected to apply IAS 39 for the purpose of hedge accounting.

In keeping with the provisions of IAS 39.88 and IFRS 9.6.4.1, hedging derivatives are eligible for hedge accounting only when:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge;
- the hedge is likely to be highly effective;
- for cash flow hedges, the forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to the measurement of cash flows that could affect profit or loss;
- the effectiveness can be reliably measured; and
- the hedge itself is highly effective during the various accounting periods for which it is designated.

All derivatives are measured at fair value. When derivatives possess the necessary features to be accounted for in accordance with hedge accounting, the following accounting treatments are applied:

- Fair value hedge – if a derivative is designated as a hedge against changes in the current value of an asset or a liability as well as a firm commitment which may have an impact on the income statement, the change in the fair value of the hedging instrument is recorded in the income statement and the change in the fair value of the hedged instrument attributable to the risk covered is recorded as part of the book value of the item being hedged and is also recorded in the income statement. In the case of a firm commitment, the fair value of the component related to the hedged risk is recognized as an asset or liability, adjusting the line item in the statement of financial position that will be affected by the firm commitment upon its realization.
- Cash flow hedge – if a derivative is designated as a hedge against the changes in cash flows from an asset or liability or from a transaction which is considered as highly likely or a firm commitment and which could affect the income statement, the effective portion of the gains or losses on the derivative is recorded under shareholders' equity and accounted for in the statement of comprehensive income; the accumulated gain or loss is reversed from shareholders' equity and charged to the income statement in the same period in which the hedged transaction is recorded; the gain or loss associated with a hedge or that part of the hedge which has become ineffective, is recorded in the income statement when its ineffectiveness is recognized.

Should the conditions to apply hedge accounting not occur, the effects arising from the fair value assessment of the derivative are charged directly to the income statement.

Cash and cash equivalents

Cash and short-term deposits refer to cash on hand and sight/short-term deposits, in the latter case originally expiring in no more than three months.

Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. Any difference between the purchase value and the consideration, in the event of a sale and/or grant, is recognized in a reserve in equity.

Inventories

Inventories are measured at the lower of purchase and/or production cost, determined using the weighted average cost method, and the net realizable value. Purchase cost includes ancillary charges; production cost includes direct costs and a share of indirect costs which may be reasonably attributable to products. The presumed net realizable value is the normal estimated sale price less the estimated costs to complete the product and the estimated costs to complete the sale.

Provisions for risks and charges

Provisions for risks and charges are allocated when the Company must meet a current (legal or implicit) obligation resulting from a past event, whose occurrence is deemed as likely and whose amount can be reasonably estimated.

When the Company believes that an allocation to the provision for risks and charges will be partly or fully reimbursed, for example in the case of risks covered by insurance policies, the compensation is recorded separately among assets if, and only if, it is almost certain. In this case, in the income statement the cost of any allocation is shown net of the amount recorded for the compensation.

If there is a significant effect from discounting the value of money, the allocations are discounted using a pre-tax discount rate which reflects, where appropriate, the specific risks of the liabilities. When the discounting is carried out, the increase in the allocation due to the passing of time is recorded as a financial charge.

Employee benefit liabilities

The Company's net obligation deriving from defined-benefit plans is calculated separately for each plan by estimating the amount of the future benefit which employees have accrued in return for the service provided in the current and previous years; this benefit is discounted in order to calculate the current value. Actuarial gains and losses are recorded directly in the statement of comprehensive income, as provided for by IAS 19.

Effective 1 January 2007, the 2007 Budget Law and the relevant enabling legislation have introduced significant changes to employee severance indemnities, requiring to allocate them to either supplementary pension schemes or the Treasury Fund of the Italian Social Security Institute (INPS). Starting from said date, in accordance with IAS 19, severance indemnities are classified as "Defined-contribution plans", while the amounts paid into the provision for employee severance indemnities up to 31 December 2006 still qualify as "Defined-benefit plans".

The actuarial assessment of liabilities has been entrusted to an independent actuary.

Fair Value

IFRS 13 establishes a single source of guidance for fair value measurement and for the relevant disclosures when such measurement is required or permitted. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets or liabilities whose fair value is measured or recognized are categorized based on the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – Valuation techniques using unobservable inputs for the asset or liability.

The fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The methods for determining fair value in reference to financial instruments, for accounting or disclosure purposes, are summarized below in reference to the main financial instrument categories, to which they have been applied:
- Derivatives: adequate pricing models have been adopted, based on the market values of interest and exchange rates;
- Receivables and payables and unlisted financial assets: for financial instruments expiring after more than one year, the discounted cash flow method has been applied, i.e. the discounting of expected cash flows given current interest rate and creditworthiness conditions;
- Listed financial instruments: the market value at the reference date is used.

Costs
Costs are recognized when related to goods or services sold or consumed during the period or systematically allocated, or when it is not possible to identify their future usefulness.

Advertising and research costs, in accordance with IAS 38, are charged in full to the income statement, when the service has been provided and delivered to the Company.

Costs are recognized according to their nature considering the standards applicable under IFRS.

Revenues from contracts with customers
Revenues from contracts with customers are recognized when control of goods or services transfers to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Sale of goods
Revenues from the sale of goods are recognized when control of the good passes to the customer, generally upon shipment depending on the terms applied.

The Company considers whether the contract includes other promises representing performance obligations to which part of the consideration for the transaction must be allocated (for example guarantees). When determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Right of return
Some contracts allow customers to return goods within a specified period of time. The Company uses the expected value method to estimate the goods that will not be returned, as this method better predicts the amount of variable consideration to which the Company will be entitled. The guidance in IFRS 15 regarding the constraints on the recognition of variable consideration applies to the determination of the amount of variable consideration that can be included in the transaction price. The Company adjusts revenues for the goods expected to be returned, and recognizes a liability for the refunds. The right of return of an asset (and the corresponding adjustment to the changes in inventories of finished products) is recognized also for the right to recover goods from customers.

Royalties
Revenues from royalties derive from sales-based royalties arrangements with customers, and are therefore recognized based on the stage of completion of the licensee's sales in accordance with the terms of the agreement.

Right of return assets
A right of return asset represents the Company's right to recover goods expected to be returned from customers. The asset is measured at the previous carrying amount of inventories less any costs for its recovery, including any impairment of the returned products. The Company regularly updates the estimated amount of returns from customers as well as any additional impairment of the returned products.

Refund liabilities
The refund liability represents the obligations to refund some or all of the consideration received (or to be received) from the customer and is measured based on the amount the Company expects to be refunded to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payment plans
The Company recognizes additional benefits to some employees, directors and collaborators with particular positions, through equity-settled share-based payments, which provide for the physical delivery of shares and through cash-settled plans based on share value.

Equity-settled transactions
In accordance with the provisions of IFRS 2 – Share-based payments – rights in favor of employees are valued at fair value when the beneficiary is informed of their allocation, and this value is determined using the binomial model. This model takes account of all the features of the rights (duration, exercise price and conditions, etc.), as well as the value of the underlying shares at the grant date and their expected volatility.

If the right can be exercised after a certain period (vesting period) and on the occurrence of specific performance conditions, the cost of transactions settled with equity instruments, together with the corresponding increase in shareholders' equity, is recorded in the period in which the conditions relating to the achievement of objectives and/or the provision of the service are satisfied, ending at the time the beneficiaries have fully accrued the right to receive payment ("vesting date").

At the end of each year, the fair value of the rights which has been determined previously is not reviewed, but on this date the estimate of the number of rights which will vest up to the expiry is updated. The accumulated costs recorded for these transactions at the end of each year up to the vesting date are proportionate to the expiries of the vesting period and to the best available estimate of the number of options which will actually vest. The cost or revenue recorded in the income statement for the year represents the change in the accumulated cost recorded at the start and at the end of the year.

No cost is recorded for rights which do not ultimately vest, except in the case of rights whose allocation is subordinate to market conditions.
The impact of the dilution of the rights not yet exercised is reflected in the calculation of the dilution of earnings per share.

Cash-settled transactions
In case of cash-settled share-based transactions, the cost of the cash-settled transactions is initially valued at the fair value at the date the beneficiary is informed of their allocation. This fair value is recognized in the income statement in the period until vesting, with the recognition of a corresponding liability. Until the liability is settled, the fair value is re-

calculated at each year-end date and at the settlement date, charging the related changes to the income statement. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Financial income and charges

Financial income and charges are recorded on an accrual basis according to the interest accrued on the net value of the related financial assets and liabilities, using the effective interest rate.

Dividends

Dividends are recognized when the shareholders' right to receive payment arises.

Public grants

Government grants are recognized when there is reasonable certainty that said grants will be received, and all the conditions of said grants are met. Grants related to income are shown as a positive component in the income statement.

Income taxes

Current taxes

Current income taxes are determined in relation to taxable income and in compliance with the rates and provisions in force; payables for current taxes are recognized in the statement of financial position, net of any tax advances paid. The Company regularly assesses the position taken in its income tax filings where tax regulations are subject to interpretation and makes provisions, when appropriate.
Current taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred taxes

Deferred taxes are calculated on the temporary differences existing at the reporting date between the fiscal values taken as a reference for assets and liabilities and the values recognized in the financial statements.
Deferred tax liabilities are recorded for all taxable temporary differences, except:

- when the deferred tax liabilities derive from the initial recognition of goodwill or of an asset or a liability in a transaction which is not a business combination and which, at the time of the transaction, has no effect on the profit/(loss) for the year calculated for financial statement purposes or on the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, when the reversal of temporary differences may be managed and it is not likely to occur in the foreseeable future.

Deferred tax assets are recorded against all deductible temporary differences and for tax assets and liabilities which are carried forward, to the extent that adequate future tax profits are likely to exist which make it possible to use the deductible temporary differences and the tax assets and liabilities which have been carried forward, except when:

- the deferred tax asset connected to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, does not affect profit/(loss) for the year calculated for financial statement purposes or the profit or loss calculated for tax purposes;
- in reference to taxable temporary differences relating to investments in subsidiaries, associated companies and joint ventures, deferred tax assets are only recorded to the extent that the deductible temporary differences are likely to be reversed in the immediate future and there are adequate tax profits against which the temporary differences may be used.

The value to be recorded for deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer likely that sufficient tax profits will be available in the future so as to allow all or part of this credit to be used. Unrecognized deferred tax assets are reviewed annually at the reporting date and are recorded to the extent that it has become likely that the tax profit is sufficient to ensure that these deferred tax assets can be recovered.

To determine whether taxable profit will be available against which a deductible temporary difference can be utilized, the entity shall consider whether local tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Deferred tax assets and liabilities are measured on the basis of the tax rates which are expected to be applied in the year in which the assets are realized or the liabilities are settled, taking into account the rates in force and those already issued or basically issued at the reporting date.

Current and deferred taxes relating to items recorded directly under shareholders' equity or in the statement of comprehensive income are also charged directly to shareholders' equity or to the statement of comprehensive income.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same fiscal entity and the same tax authority.

Value added tax

Revenues, costs and assets are recorded net of value added taxes except when:

- this tax, applied to the purchase of goods or services, is non-deductible, in which case it is recognized as part of the purchase cost of the asset or part of the cost item charged to the income statement;
- it refers to trade receivables and payables for which the invoice has already been issued or received and which are shown including the tax amount.

The net amount of indirect taxes on sales and purchases which may be recovered from or paid to the Inland Revenue Office is recorded among tax receivables or payables depending on the nature of the balance.

Put and call agreements on minority interests

Put and call agreements are financial instruments in compliance with the provisions of IFRS 9.
The fair value of the financial instruments traded on an active market is determined at each reporting date with reference to market prices or operators' prices (ask price for long-term positions and bid price for short-term positions), without any deduction for transaction costs.

For financial instruments which are not traded on an active market, the fair value is determined using a valuation technique. This technique may include: the use of recent transactions at market conditions; reference to the current fair value of another instrument which is substantially the same; an analysis of discounted cash flows or other valuation models.

The accounting policy chosen by the Company envisages the recognition in the income statement and the recognition under financial liabilities of the fair value at the valuation date.

Changes in international accounting standards

The Company has not adopted in advance any standard, interpretation or improvement that has been issued but which is not yet in force.

Amendment to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace the references to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with references to the Conceptual Framework for Financial Reporting, that was issued in March 2018, without significantly changing the requirements of the standard. The Board also added an exception to the recognition principles of IFRS 3 to avoid the risk of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify that the existing guidance in IFRS 3 for contingent assets would not be affected by replacing the references to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual periods beginning on or after 1 January 2022 and apply prospectively.

Amendment to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. These amendments did not have any impact on the Company's financial statements.

Amendment to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022. The Company applied these amendments to contracts for which it had not yet met all its obligations at the beginning of 2022, without impacting the financial statements.

IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities

As part of the 2018-2020 annual improvements to IFRS standards, the IASB issued an amendment to IFRS 9. This amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies this amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, and earlier application is permitted. The Company applied this change as from 2022. These amendments did not have any impact on the financial statements.

Standards issued but not yet in force

Set out below are the standards which, when preparing the separate financial statements, had already been issued but were not yet in force. The list refers to the standards and interpretations which the Company expects will in all likelihood be applicable in the future. The Company intends to adopt these standards when they come into force.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments will be effective for annual periods beginning on or after 1 January 2023, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on the current situation.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted, provided that fact is disclosed. The amendments are not expected to have a material impact on the Company's Financial Statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to the disclosure of accounting policies. The amendments are intended to help entities provide more useful accounting policy disclosures by replacing the requirements for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies; in addition, they added guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, and earlier application is permitted. As the amendments to IFRS Practice Statement 2 Making Materiality Judgements set out non-mandatory guidance on the application of the definition of material to accounting policy disclosures, an effective date for these amendments is not required. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
The amendments narrow the scope of the initial recognition exemption for deferred tax, so as to exclude transactions that give rise to equal amounts of taxable and deductible temporary differences, as in the case of leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023. The deferred tax assets and liabilities related to leases and decommissioning obligations shall therefore be recognized at the beginning of the earliest comparative period presented, recognizing the relevant cumulative effect as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest comparative period presented. The Company is currently assessing the impact of the amendments on its financial position.

3. Management of financial risks (IFRS 7)

Salvatore Ferragamo S.p.A. monitors, also on a Group basis, the exposure in different measure to the various financial risks related to its business, in particular to the market risk category which includes the following types of risk:

- interest rate risks relating to the impact of changes in market interest rates;
- exchange rate risks, due to operations in currency areas other than that of the accounting currency;
- liquidity risks relating to the availability of financial resources and the ease of access to the credit market and connected to the need to fulfill the Group's financial commitments in the short term;
- credit, commercial or counterparty risks, representing the risks of default on commercial or financial obligations assumed by the various counterparties and arising from normal commercial transactions or from use, financing and risk hedging activities.

Financial risks are managed on the basis of guidelines defined by the Company, in compliance with the goals set centrally by the Board of Directors. This enables the supervision and coordination of the operations of the individual Group companies, also through more effective financial planning and control, the systematic monitoring of the levels of exposure to financial risks as well as the trend in cash management, and the provision of useful indications in order to optimize the management of dealings with the reference credit institutions.

In accordance with these directives, control over the management of individual financial risks is ensured through intervention aimed at containing their impact, also by using derivatives. Derivatives are used for hedging purposes only. In accordance with IFRS, some derivatives have been classified as held for trading, although they have been entered into solely for hedging purposes.

Financial liabilities largely consist of trade payables, payables to banks (if any), other financial payables, and lease liabilities following the introduction of the accounting standard IFRS 16. The management of these liabilities is largely aimed at financing the Group's operations.

Interest rate risk

Movements in market interest rates affect the level of net financial charges and the market value of financial assets and liabilities.
Interest rate risk can be classified as follows:

- flow risk, which refers to the variability in interest income and expense received and paid following changes in market interest rates;
- price risk, relating to the sensitivity of the assets and liabilities market value to changes in the level of interest rates (it refers to fixed rate assets or liabilities).

Salvatore Ferragamo S.p.A. is mainly exposed to flow risk, i.e. to the risk of recording in the income statement an increase in financial charges due to an unfavorable change in interest rates. The Company uses third-party financial resources largely in the form of floating rate bank debt and deploys the available liquidity mainly in money market instruments. Changes in market interest rates only affect the cost of loans and the yield on uses and thus the level of the Company's financial charges and income, and not their fair value.

Bank debt is represented by both short-term and medium/long-term, floating-rate loans. The cost of bank debt is benchmarked to the market rate (generally Euribor/Libor/SOFR for the period or the benchmark of the loan currency on the specific interbank market) in the period increased by a spread which depends on the type of line of credit used. Drawdowns range from one day to a maximum of less than five years (term loan); the interest period and the market rate used (Euribor/Libor/SOFR) does not exceed six months, including for drawdowns beyond the year. The margins applied are in line with best market standards.

Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor/SOFR rate or the benchmark of the currency on the specific interbank market, in cash-pooling structures or invested in intercompany loans, regulated at current market conditions, in order to limit the Group's exposure to the banking system, counterparty risk, and the impact of financial charges.

Salvatore Ferragamo S.p.A., with a view to moderately diversifying the management of its cash, made an insurance investment in a readily adjustable Type I policy.

Sensitivity to interest rate risk is monitored by keeping the overall exposure in due consideration, through coordinated management of debt and available liquidity and of the relevant due dates.

At the reporting date there were no outstanding interest rate risk hedge derivatives aimed at transforming floating rate debt into fixed rate debt, nor did the Company make use of such derivatives in the previous year.

The Company carried out the sensitivity analysis of the interest rate risk to which it is exposed by considering the financial statement items which give rise to floating rate interests and by assuming parallel increases or decreases in the benchmark interest rate curves by individual currency in proportion to the respective annual volatility observed on the market. The result of the analysis carried out for 2022 and 2021, considering the amounts of sensitive assets and liabilities, interest rate trends, and the relevant market volatility, which reached negative levels or levels close to zero, showed almost no contingent gains or losses through profit or loss.

The possible upward or downward change in the market's benchmark interest rates has an immaterial impact on the Company's income statement.

Exchange rate risk

The exposure to exchange rate risk derives from operations in currencies other than the accounting currency, i.e. the Euro.

In particular, the exchange rate risk can be classified based on the nature of the exposure and of the effects on operating results due to the different relevance of costs and revenues in foreign currency compared to the moment when the price conditions were defined (economic risk) and due to the translation of trade or financial receivables and payables denominated in foreign currency (settlement risk).

The Company operates internationally and therefore is exposed to risks arising from exchange rates fluctuations, which have an impact on the operating results and on the value of shareholders' equity.

The objective of the exchange rate risk hedging policy is to minimize the economic and settlement exchange rate risks, i.e. the risks arising from the possibility that currency parity changes unfavorably during the period between the moment in which a commitment to pay or a right to collect a currency other than the Euro is expected for a future date (definition of budgets, setting of price lists, arrangement of orders), the registration of the accounting document (invoicing) and the moment in which the receipt or payment effectively occurs, generating an effect in terms of translation differences, with an impact on the income statement.

In keeping with the exchange rate risk management policy adopted in recent years, the Company manages exchange rate risk arising from its business, in line with the provisions of the exchange rate risk management policy and the risk management objectives that are periodically established, through the systematic hedging of commercial flows arising from sales forecast in currencies other than the Euro, to both subsidiaries and third parties, with the aim of mitigating the expected risk of variability in margins arising from sales relating to future collections.

The Group has a strong presence in international markets, including through commercial companies located in countries which use currencies other than the Euro, mainly the US Dollar and Chinese Renminbi. In the year ended 31 December 2022, around 40% of the Company's net revenues were denominated in US Dollars, around 10% in Chinese Renminbi, around 6% in South Korean Won, around 5% in Japanese Yen, and around 4% in Mexican Peso. In the year ended 31 December 2021, around 35% of the Company's net revenues were denominated in US Dollars, around 14% in Chinese Renminbi, around 5% in Japanese Yen, around 6% in South Korean Won, and around 4% in Mexican Peso. The currency risks originate mainly from exports of the Company in US Dollars, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

In relation to its business model, the Group incurs a significant part of its costs in Euro (costs relating to production and management of the corporate structure borne by Salvatore Ferragamo S.p.A.), while the revenues and costs recorded by Group companies are mainly expressed in the local currencies of the respective reference markets. Exchange rate risk management is mostly focused on the Company through the direct invoicing in the accounting currency of the subsidiary in order to hedge the exposure deriving from sales in currencies other than the Euro by entering into derivatives. In particular, the Company is exposed to changes in the exchange rate between the Euro and the US Dollar, in relation both to sales in Dollars on the North American market and on some markets, mainly in Asia. In this context, the Company is exposed to changes in the exchange rates of the currencies in which sales are denominated. This implies the risk that the corresponding value in Euro of revenues determined at the moment of collection is insufficient to cover production costs or to achieve the desired profit margin. This risk is heightened during the significant period between the moment when the sale prices of a collection are set and the moment when revenues are converted into Euro, which extends up to 18 months.

The Company (as a manufacturing company) enters into currency forward exchange contracts or options, to establish the conversion rate in advance, or a predefined range of conversion rates at future dates with an estimated period of maximum 24 months. In the years under examination, the Company covered its exchange rate risk almost exclusively with currency forward exchange contracts.

To this end, on the basis of market expectations and conditions, before establishing price lists, and in any case not after the beginning of the sales campaign, hedging is arranged for an amount generally between 50% and 90% of forecast sales in foreign currency. This proportion is calculated based on the expected overall exposure, rather than the individual foreign currency. In the period following the preparation of the price list, the total outstanding hedge is added for the orders effectively managed and put into production. This way, the Company limits the commercial risk just to the risk arising from sales volumes, excluding the risk arising from the exchange rate.

In addition, the Company checks the exposure and the related exchange rate risk management procedures of some Asian and Latin American subsidiaries which make purchases of goods in US Dollars or in Euro and sell in the currency of the country in which they operate. The values of the contracts involved are, nonetheless, significantly lower than those concluded directly by the Company to mitigate the exchange rate risk arising from sales in the accounting currency of the various subsidiaries.

In addition, the Company controls and hedges exposure deriving from changes due to exchange rate changes in the value of assets or liabilities denominated in currencies other than the accounting currency of the individual company, which may affect the income statement (typically intercompany financial receivables/payables) by offsetting financial receivables and payables denominated in the same currency or through financial instruments, whose recognition in accordance with IFRS follows the rules of fair value hedge: the profit or loss arising from subsequent assessments of the present value of the hedging instrument is recorded in the income statement as well as the profit or loss on the hedged item.

The hedges of the Company's future transactions in foreign currencies (which can be classified as cash flow hedge pursuant to IFRS) are accounted for in accordance with hedge accounting rules.

The following table shows the changes in the Cash Flow Hedge reserve for the years ended 31 December 2022 and 31 December 2021:

Exchange rate risk

(In thousands of Euro)	2022	2021
Opening balance	(8,426)	6,740
+ increases for recognition of new positive effectiveness	14,430	1,718
- decreases for recognition of new negative effectiveness	(22,173)	(17,216)
- decreases due to the transfer of effectiveness from the cash flow hedge reserve and recognition of income in profit or loss	(3,554)	(6,847)
+ increases due to the transfer of effectiveness from the cash flow hedge reserve and recognition of cost in profit or loss	29,218	7,179
Closing balance	**9,495**	**(8,426)**

The "Reserve", which consists of the value changes in hedges for expected transactions in foreign currency, increased by 17,921 thousand Euro overall during 2022, whereas it had declined by 15,166 thousand Euro in 2021. The changes in value reflect the Euro's performance against the main hedged currencies, and specifically the Euro's exchange rate with the US Dollar, as the single currency depreciated sharply in the first nine months of the year. The amount transferred from the Reserve to "Revenues from sales" on occurrence of the underlying flows was a negative total of 25,664 thousand Euro in 2022, compared to a negative 332 thousand Euro in 2021. In 2022, no hedge was interrupted and hedges were one hundred percent effective for the whole duration of the underlying asset.
A hedge may become ineffective as a result of:

- differences in the timing of cash flows of the hedged item and the hedging instrument;
- changes in the expected amount of cash flows of the hedged item and the hedging instrument.

The following tables set out the average time horizon and the relevance by risk factor of exchange rate hedges which the Company held at the end of 2022 and 2021. The number of foreign currencies in the tables shows how exchange rate risk management is all but centralized at the Parent company.

Cash flow analysis (hedged items)

31 December 2022

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	22,000	65,000	86,000	79,000	-	**252,000**
Average forward exchange rate (EUR/USD)	1.142	1.130	1.074	1.026	-	
Notional amount in AUD	-	-	-	-	-	-
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	1,500	1,000	2,000	-	**4,500**
Average forward exchange rate (EUR/CAD)	-	1.370	1.353	1.359	-	
Notional amount in CHF	-	-	-	-	-	-
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	80,000	140,000	100,000	140,000	-	**460,000**
Average forward exchange rate (EUR/CNY)	7.360	7.294	7.265	7.047	-	
Notional amount in GBP	-	-	250	1,000	-	**1,250**
Average forward exchange rate (EUR/GBP)	-	-	0.887	0.901	-	
Notional amount in HKD	4,000	21,000	5,000	8,000	-	**38,000**
Average forward exchange rate (EUR/HKD)	8.854	8.800	8.175	8.107	-	
Notional amount in JPY	500,000	1,200,000	1,050,000	800,000	-	**3,550,000**
Average forward exchange rate (EUR/JPY)	129.656	133.220	137.817	137.278	-	
Notional amount in KRW	5,000,000	13,000,000	10,000,000	14,000,000	4,000,000	**46,000,000**
Average forward exchange rate (EUR/KRW)	1,371.400	1,367.402	1,354.036	1,383.503	1,382.500	
Notional amount in MXN	40,000	140,000	40,000	210,000	-	**430,000**
Average forward exchange rate (EUR/MXN)	23.570	23.790	23.455	22.112	-	
Notional amount in SGD	-	-	-	-	-	-
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

31 December 2021

(In thousands)	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Total expected flows
Foreign exchange forward contracts						
Notional amount in USD	21,000	50,000	66,000	60,500	48,000	**245,500**
Average forward exchange rate (EUR/USD)	1.207	1.192	1.182	1.181	1.169	
Notional amount in AUD	-	-	-	-	-	-
Average forward exchange rate (EUR/AUD)	-	-	-	-	-	
Notional amount in CAD	-	-	-	-	-	-
Average forward exchange rate (EUR/CAD)	-	-	-	-	-	
Notional amount in CHF	-	-	-	-	-	-
Average forward exchange rate (EUR/CHF)	-	-	-	-	-	
Notional amount in CNY	75,000	90,000	120,000	140,000	30,000	**455,000**
Average forward exchange rate (EUR/CNY)	7.982	8.010	7.885	7.886	7.501	
Notional amount in GBP	-	-	-	-	-	-
Average forward exchange rate (EUR/GBP)	-	-	-	-	-	
Notional amount in HKD	16,000	15,000	15,500	24,000	4,000	**74,500**
Average forward exchange rate (EUR/HKD)	9.366	9.368	9.275	9.160	8.937	
Notional amount in JPY	200,000	1,350,000	1,300,000	750,000	600,000	**4,200,000**
Average forward exchange rate (EUR/JPY)	128.126	129.817	129.660	128.731	131.720	
Notional amount in KRW	5,500,000	10,500,000	10,000,000	12,000,000	4,000,000	**42,000,000**
Average forward exchange rate (EUR/KRW)	1,368.800	1,358.920	1,359.920	1,387.930	1,370.630	
Notional amount in MXN	-	90,000	190,000	110,000	20,000	**410,000**
Average forward exchange rate (EUR/MXN)	-	25.938	25.243	25.485	25.120	
Notional amount in SGD	-	-	-	-	-	-
Average forward exchange rate (EUR/SGD)	-	-	-	-	-	

Cash flow analysis (hedged items): impact on the income statement

31 December 2022

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**183,000**	89,000	91,000	3,000	-	-
Sales expected in JPY	**3,050,000**	1,200,000	1,350,000	500,000	-	-
Sales expected in GBP	**1,250**	-	750	500	-	-
Sales expected in MXN	**250,000**	40,000	210,000	-	-	-
Sales expected in CHF	-	-	-	-	-	-
Sales expected in AUD	-	-	-	-	-	-
Sales expected in CAD	**3,500**	500	3,000	-	-	-
Sales expected in CNY	**350,000**	170,000	150,000	30,000	-	-
Sales expected in HKD	**30,000**	17,000	13,000	-	-	-
Sales expected in SGD	-	-	-	-	-	-
Sales expected in KRW	**36,000,000**	14,000,000	14,000,000	8,000,000	-	-

31 December 2021

(In thousands)	Total expected flows	within 3 months	3 to 6 months	6 to 9 months	9 months to 1 year	over 1 year
Exchange rate risk						
Sales expected in USD	**188,500**	64,500	70,000	48,000	6,000	-
Sales expected in JPY	**4,000,000**	1,950,000	1,000,000	850,000	200,000	-
Sales expected in GBP	-	-	-	-	-	-
Sales expected in MXN	**320,000**	190,000	110,000	20,000	-	-
Sales expected in CHF	-	-	-	-	-	-
Sales expected in AUD	-	-	-	-	-	-
Sales expected in CAD	-	-	-	-	-	-
Sales expected in CNY	**330,000**	130,000	130,000	70,000	-	-
Sales expected in HKD	**51,500**	19,500	17,000	15,000	-	-
Sales expected in SGD	-	-	-	-	-	-
Sales expected in KRW	**31,500,000**	11,500,000	12,000,000	8,000,000	-	-

The most important hedge, in terms of volumes of notional amounts in foreign currency being hedged, is aimed at mitigating the risk generated by fluctuations in the exchange rate between the Euro and the following currencies: US Dollar, Chinese Renminbi, Japanese Yen, South Korean Won, and Mexican Peso.

From a time viewpoint, hedges lasting over one year show nil values as at 31 December 2022 as well as 31 December 2021. The above tables set out the financial recognition dates of underlying assets by currency and the dates on which the impact on the income statement is recognized. This is determined upon the invoicing of the estimated flows, which are the object of the exchange rate hedge, as at 31 December 2022 and 2021.

Below is the impact of the hedged items on the statement of financial position:

Expected highly probable sales

			Carrying amount	
(In thousands of Euro)	Notional amount	Cash flow hedge reserve / change in fair value used to measure ineffectiveness	Line item "other current assets"	Line item "other current liabilities"
31 December 2022	287,034	9,495	6,595	(2,685)
31 December 2021	286,031	(8,426)	299	(10,521)

Sensitivity Analysis

The sensitivity analysis carried out in order to assess the Company's exposure to exchange rate risk was undertaken on the basis of percentage increases and decreases in the exchange rates of the various currencies, proportional to their annual volatility, applied to all significant financial assets and liabilities expressed in original currencies. In particular, the analysis involved all currencies and the following items:

- exchange rate derivatives;
- trade and other receivables;
- trade and other payables;
- cash and cash equivalents;
- short- and long-term financial liabilities;
- short- and long-term lease liabilities.

In addition, the table shows the most important effects and the related currencies and refers to the exposure to exchange rate risk in accordance with IFRS requirements. Exchange rates were considered for currencies whose changes generate an impact on the Income Statement and Shareholders' Equity, in absolute terms, of over one million Euro.

Sensitivity analysis: exchange rate risk

31 December 2022

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	10.8%	Derivatives	4,029	2,119
			Non-derivatives	(4,083)	
	EUR/USD	8.1%	Derivatives	4,566	12,855
			Non-derivatives	(5,211)	
	EUR/KRW	8.6%	Derivatives	705	1,999
			Non-derivatives	(860)	
	EUR/CNY	6.3%	Derivatives	883	2,808
			Non-derivatives	(942)	
	EUR/MXN	12.5%	Derivatives	1,300	1,336
			Non-derivatives	(1,862)	
	EUR/SGD	5.9%	Derivatives	2,068	-
			Non-derivatives	(2,110)	
	EUR/THB	8.5%	Derivatives	696	-
			Non-derivatives	(732)	
	EUR/BRL	18.9%	Derivatives	493	-
			Non-derivatives	(1,078)	
Total				**(2,138)**	**21,117**
NEGATIVE CHANGE	EUR/JPY	(10.8%)	Derivatives	(5,008)	(2,633)
			Non-derivatives	5,074	
	EUR/USD	(8.1%)	Derivatives	(5,371)	(15,121)
			Non-derivatives	6,130	
	EUR/KRW	(8.6%)	Derivatives	(838)	(2,374)
			Non-derivatives	1,021	
	EUR/CNY	(6.3%)	Derivatives	(1,001)	(3,184)
			Non-derivatives	1,068	
	EUR/MXN	(12.5%)	Derivatives	(1,674)	(1,719)
			Non-derivatives	2,396	
	EUR/SGD	(5.9%)	Derivatives	(2,328)	-
			Non-derivatives	2,375	
	EUR/THB	(8.5%)	Derivatives	(826)	-
			Non-derivatives	869	
	EUR/BRL	(18.9%)	Derivatives	(722)	-
			Non-derivatives	1,579	
Total				**2,744**	**(25,031)**

31 December 2021

(In thousands of Euro)		Increase/ reduction in underlying foreign exchange rates	Underlying asset	Impact on the income statement	Impact on shareholders' equity
POSITIVE CHANGE	EUR/JPY	7.0%	Derivatives	3,373	2,014
			Non-derivatives	(3,628)	
	EUR/USD	5.6%	Derivatives	2,669	8,826
			Non-derivatives	(3,387)	
	EUR/KRW	7.6%	Derivatives	605	1,653
			Non-derivatives	(655)	
	EUR/CNY	4.3%	Derivatives	712	1,880
			Non-derivatives	(743)	
	EUR/MXN	11.2%	Derivatives	1,001	1,393
			Non-derivatives	(1,387)	
	EUR/SGD	4.4%	Derivatives	1,364	-
			Non-derivatives	(1,411)	
	EUR/THB	8.0%	Derivatives	572	-
			Non-derivatives	(594)	
	EUR/BRL	17.5%	Derivatives	236	
			Non-derivatives	(527)	
Total				**(1,799)**	**15,766**
NEGATIVE CHANGE	EUR/JPY	(7.0%)	Derivatives	(3,883)	(2,318)
			Non-derivatives	4,177	
	EUR/USD	(5.6%)	Derivatives	(2,986)	(9,874)
			Non-derivatives	3,788	
	EUR/KRW	(7.6%)	Derivatives	(704)	(1,924)
			Non-derivatives	763	
	EUR/CNY	(4.3%)	Derivatives	(776)	(2,048)
			Non-derivatives	809	
	EUR/MXN	(11.2%)	Derivatives	(1,253)	(1,744)
			Non-derivatives	1,737	
	EUR/SGD	(4.4%)	Derivatives	(1,488)	-
			Non-derivatives	1,540	
	EUR/THB	(8.0%)	Derivatives	(672)	-
			Non-derivatives	696	
	EUR/BRL	(17.5%)	Derivatives	(337)	
			Non-derivatives	751	
Total				**2,162**	**(17,908)**

As the table above shows, a positive change in the exchange rates (EUR/JPY, EUR/USD, EUR/KRW, EUR/CNY, EUR/MXN, EUR/SGD, EUR/THB, and EUR/BRL) would have resulted in a 2,138 thousand Euro and 1,799 thousand Euro loss as at 31 December 2022 and 31 December 2021, respectively; similarly, a negative change in the exchange rates would have generated a 2,744 thousand Euro and a 2,162 thousand Euro profit as at 31 December 2022 and 31 December 2021, respectively. The increase in shareholders' equity caused by derivative instruments designated as hedges as a result of the assumed positive exchange rate changes would have amounted to 21,117 thousand Euro and 15,766 thousand Euro as at 31 December 2022 and 31 December 2021, respectively; the decrease in shareholders' equity as a result of the assumed negative exchange rate changes would have totaled 25,031 thousand Euro and 17,908 thousand Euro as at 31 December 2022 and 31 December 2021, respectively. The sensitivity analysis carried out as described above, which is significantly affected by market volatility in the exchange rates considered, points to a material impact on the Company shareholders' equity from the potential change in the value of hedging derivatives. This is temporarily allocated to the "Cash flow hedge reserve" and will be recognized through profit or loss in the following years when the expected sales occur. The higher or lower impact on the income statement and on the statement of financial position in each of the years under consideration derives largely from the trend in the individual currencies at the reference dates and the change in the value of financial assets and liabilities exposed to fluctuations in exchange rates.

Liquidity risk

Liquidity risk represents the risk that the Company cannot meet its financial obligations due to problems in obtaining funds at current market price conditions (funding liquidity risk) or in liquidating assets on the market to find the necessary financial resources (asset liquidity risk).

The first consequence is a negative impact on the income statement, should the Company be forced to incur additional costs to meet its commitments.

The factors which mainly influence the Company's liquidity are the resources generated or absorbed by current operating and investing activities, the possible distribution of dividends and the expiry and possibility of renewal of debt or the expiry and possibility of liquidation of financial investments of surplus cash.

Liquidity needs or surpluses are monitored on a daily basis by the Company's Treasury Department in order to guarantee effective sourcing of financial resources or adequate investment of liquidity.

The negotiation and management of credit lines is coordinated by the Company at Group level with the aim of satisfying the short and medium/long-term needs of the individual companies according to efficiency and cost-effectiveness criteria.

As at 31 December 2022, there were outstanding uncommitted short-term credit lines with a number of banks made available to the Company to meet financing needs connected to the management of working capital for a total of 162,502 thousand Euro as well as committed, short and medium/long-term credit lines negotiated on a bilateral basis by the Company for a total of 365,000 thousand Euro, entirely revolving.

As at 31 December 2022, Salvatore Ferragamo S.p.A. has no drawdowns on either committed and uncommitted credit lines. As at 31 December 2022, the Parent company had a net financial position amounting to a surplus of 252,876 thousand Euro, considering also lease liabilities in accordance with the accounting standard IFRS 16; as at 31 December 2021, the Company's net financial position amounted to a surplus of 233,693 thousand Euro.

As at 31 December 2022, committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of twenty-four months. In general, the Parent company's committed credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants. One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020. For more details, see note 21 Interest-bearing loans & borrowings - Limitations on the use of financial resources.

The credit lines and the related financial business are spread among leading national and international banks. It has always been the Company's policy to sign and constantly maintain with various and diversified banks a total amount of committed credit lines that is considered consistent with the needs of the individual companies and suitable to ensure at any time the liquidity needed to satisfy and comply with all the Group's financial commitments, at the established economic conditions, as well as guaranteeing the availability of an adequate level of operational flexibility for any expansion programs. During 2022, the policy of Salvatore Ferragamo S.p.A. was to use a significant part of its cash surpluses to take out intercompany loans, regulated at current market conditions, so as to contain the increase in bank debt and the related financial charges.

Always in order to curb its bank debt, in 2022 the Company made early repayments totaling 85 million Euro on the main outstanding medium/long-term loans. Cash surpluses are held in current accounts or time deposits with reference banks, which bear interest at the Euribor/Libor/SOFR rate or the benchmark of the currency on the specific interbank market, or invested in intercompany loans, regulated at current market conditions, in order to reduce the Group's exposure to the banking system and limit the counterparty risk as well as the impact of financial charges. Moreover, an insurance investment in a readily adjustable Type I policy was made by Salvatore Ferragamo S.p.A. for 10,000 thousand Euro, with a view to moderately diversifying its cash management. Liquidity investments are carried out with the prime objectives of making resources available at short notice and neutralizing the risk of capital losses, avoiding speculative transactions.

In 2022, with the aim of more efficient cash and liquidity management at Group level, Salvatore Ferragamo S.p.A. also entered into a cash pooling agreement with a number of subsidiaries. For further details, please refer to notes 17 and 20. These choices, which also take account of the likely future trend in cash flows together with prompt renegotiation of credit lines (even before their expiry), enable a significant reduction in the exposure to the risk under review and allow to adjust the cost of debt to the best market conditions. The Company has constantly maintained access to a wide range of financing sources at competitive costs, despite the external scenario, which continues to be characterized by rigidity in the credit market. Despite the Group's ability to generate high cash flows from current operations, the constant availability of an adequate amount of committed credit lines has allowed to face the most turbulent market phases and volatility in credit flows with confidence. The financial position of the Company and of the Group is measured on a monthly basis and compared with the latest Budget/Forecast. Management believes that the funds and credit lines currently available, with the addition of the funds which are likely to be generated from current operations, will enable the Company to safely address the repayment of loans at their natural expiries and to meet the needs arising from investment activities and working capital management.

Liquidity risk – Maturity analysis

31 December 2022

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	116,561	1,642			118,203
Payables to subsidiaries	24,435	826			25,261
Payables for loans due from subsidiaries	21,521				21,521
Payables due to shareholders for dividends	2				2
Lease liabilities	4,371	11,883	61,962	68,674	146,890
Derivatives – non-hedging component	1,179	-	-	-	1,179
Derivatives – hedging component	5,335	2,057	-	-	7,392
Total	**173,404**	**16,408**	**61,962**	**68,674**	**320,448**

31 December 2021

(In thousands of Euro)	< 3 months	3-12 months	1-5 years	> 5 years	Total
Trade payables	136,277	1,188			137,465
Payables to subsidiaries	11,509	622			12,131
Payables to banks and other lenders	46,281	11,220	52,884		110,385
Lease liabilities	4,782	11,469	51,886	59,002	127,139
Derivatives – non-hedging component	676	6	-	-	682
Derivatives – hedging component	6,359	10,897	-	-	17,256
Total	**205,884**	**35,402**	**104,770**	**59,002**	**405,058**

The analysis conducted on the items representing financial liabilities showed maturities distributed over time, with trade payables concentrated within three months. In 2022, payables to banks and other lenders had a maximum residual maturity of less than three months, as do the financial assets recognized in the financial statements, as they mainly relate to cash and cash equivalents.

Credit risk

Credit risk represents the Company's exposure to potential losses arising from failure to meet trade or financial obligations taken on by counterparties.
The Company's exposure to credit risk depends on the nature of the activities which have generated the relevant receivables.
The Company's exposure to commercial credit risk refers only to sales to third parties and to receivables arising from revenues generated by licensing activities, which together represent around 18.7 percent of global turnover: the remaining turnover refers to intercompany and retail sales with payment in cash or through credit and debit cards upon purchase. Trade receivables mainly refer to wholesale sales and are generally due in 90 days or less.

The Company generally favors trade dealings with customers with whom it has well-established and consolidated relations. Pursuant to its policy, Salvatore Ferragamo S.p.A. checks credit ratings of customers who ask for extended payment terms, based both on information which can be obtained from specialist agencies and on the observation and analysis of historical data of established customers. In addition, the balance of trade receivables is constantly monitored during the year in order to ensure prompt intervention and to reduce the risk of losses. The allocation of the credit risk among a number of customers and obtaining, where possible, guarantees or the adoption of means of payment which are less risky for the creditor, such as documentary letters of credit, are all actions aimed at further mitigating this risk.

Trade receivables are recorded net of write-downs, which are estimated based on the counterparty's insolvency risk, determined by considering the information available on the customer's solvency and its past history.

In general, the Company believes that the credit risk management policies implemented enabled overdue and bad debts, which required the adoption of legal credit collection measures, to be kept within reasonable limits.

The credit risk connected to financing, investing and operating activities in derivatives to hedge the exchange rate risk is represented by the inability of the counterparty or the issuer of the instruments to meet their contractual obligations, i.e. the so-called counterparty risk. The Company manages this type of risk by selecting counterparties with high credit ratings and who are considered solvent by the market and with whom it has routine and ongoing trade and banking service relations. The Company negotiated and entered into master agreements, in accordance with the international standards (ISDA Master Agreement), with all foreign counterparties of derivatives, in order to regulate the various cases.

The credit risk regarding the Company's other financial assets, consisting of cash and cash equivalents, financial assets at amortized cost and some derivatives, has a risk equal to the book value of these assets in case of insolvency of the counterparty.

Maximum credit risk exposure

	31 December 2022		31 December 2021	
(In thousands of Euro)	**Current portion**	**Non current portion**	**Current portion**	**Non current portion**
Receivables and loans				
Trade receivables	161,114		165,077	
Receivables due from credit cards	426		226	
Cash and cash equivalents	268,833		356,105	
Guarantee deposits	-	192	-	373
Other current financial assets	9,999			
Derivatives	7,507	-	922	-
Total	**447,879**	**192**	**522,330**	**373**

The table shows how the Company's exposure to credit risk – both commercial and counterparty risk – is defined by the book value of the items representing outstanding financial assets as at 31 December 2022 and 31 December 2021, and is almost exclusively limited to the current portion. The non current portion refers to the item "Guarantee deposits" which mainly includes the cash deposits made by the Company for property lease contracts and is recognized at nominal value.

Concentration of credit risk by geographic area

(In thousands of Euro)	31 December 2022	%	31 December 2021	%
Italy	15,044	9.3%	21,785	13.2%
Europe	22,472	13.9%	18,408	11.2%
North America	58,470	36.3%	52,329	31.7%
Japan	4,411	2.7%	4,319	2.6%
Asia Pacific	31,060	19.3%	46,413	28.1%
Central and South America	29,657	18.4%	21,823	13.2%
Total	**161,114**	**100.0%**	**165,077**	**100.0%**

The table shows the concentration of commercial credit risk by geographic area of the Company's activity in the two years under review.

		Receivables past due but not impaired					
(In thousands of Euro)	Receivables neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
31 December 2022	144,905	2,023	3,940	708	1,061	8,477	161,114
31 December 2021	144,866	1,286	1,630	2,709	1,894	12,692	165,077
Figures in % as at 31 December 2022	89.9%	1.3%	2.4%	0.4%	0.7%	5.3%	100.0%
Figures in % as at 31 December 2021	87.8%	0.8%	1.0%	1.6%	1.1%	7.7%	100.0%

The table provides an analysis of the maturities of receivables which are past due but not impaired for the years ended 31 December 2022 and 31 December 2021.

The concentration of sales to the main third party customers is shown in the table below; for the concentration of sales by geographic area, reference should be made to the contents in the specific section above:

Concentration of market risk

	2022	2021
Percentage of revenues with the biggest customer	2.28%	2.94%
Percentage of revenues with the 3 biggest customers	3.63%	4.69%
Percentage of revenues with the 10 biggest customers	6.36%	8.20%

Capital management

The main objective of the Company's capital management activity is to ensure that a solid credit rating as well as adequate levels of share capital indicators are maintained in order to support business and optimize value for shareholders. The Company manages the capital structure and modifies it according to changes in economic conditions. To maintain or adjust the capital structure, the Company can modify the dividends paid to shareholders, repay the capital or issue new shares. No change was made to the objectives, policies or procedures during 2022 and 2021.

To this end, the Company's capital management aims to, among other things, ensure compliance with the covenants associated with financial payables to banks that define capital structure requirements.

The Company includes under net debt, if any, interest-bearing loans, other financial payables, lease liabilities, trade and other payables, net of cash and cash equivalents. The table does not include the values and related effects produced by the derivatives used to manage exchange rate risk.

(In thousands of Euro)	31 December 2022	31 December 2021
Interest-bearing loans	21,390	109,173
Lease liabilities	111,629	111,629
Trade and other payables (net of hedging derivatives)	187,462	167,151
Cash and cash equivalents	268,833	356,105
Net debt	**51,648**	**31,848**
Total Shareholders' equity (net of the cash flow hedge reserve)	**667,665**	**672,226**
Shareholders' equity and net debt	**719,313**	**704,074**
Debt/Shareholders' equity ratio	**7.74%**	**4.74%**

4. Business combinations

During 2022 there were no business combinations.

On 27 July 2022, Salvatore Ferragamo S.p.A. subscribed 5,000 new shares issued by Ferragamo Japan K.K., for a total amount of 3,573,019 thousand JPY (25.6 million Euro). Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital.

Comments on the main statement of financial position items (assets, shareholders' equity and liabilities)

5. Property, plant and equipment

The breakdown of Property, plant and equipment as at 31 December 2022 and 2021 is shown in the following table:

	31 December 2022			31 December 2021		
(In thousands of Euro)	Historical Cost	Accumulated depreciation	Net value	Historical Cost	Accumulated depreciation	Net value
Land	18,010	-	18,010	18,010	-	18,010
Buildings	67,447	17,299	50,148	67,368	15,227	52,141
Plant and equipment	56,923	43,075	13,848	55,614	38,579	17,035
Industrial and commercial equipment	21,287	19,358	1,929	21,368	19,301	2,067
Other assets	44,122	39,505	4,617	44,647	39,470	5,177
Leasehold improvements	23,436	21,353	2,083	23,753	21,141	2,612
Fixed assets in progress and payments on account	4,343	-	4,343	661	-	661
Total	**235,568**	**140,590**	**94,978**	**231,421**	**133,718**	**97,703**

The following tables show the change in the item Property, plant and equipment for the years ended 31 December 2022 and 2021:

(In thousands of Euro)	Value 01.01.2022	Additions	Disposals	Depreciation	Value at 31.12.2022
Land	18,010	-	-	-	18,010
Buildings	52,141	79	-	(2,072)	50,148
Plant and equipment	17,035	1,381	-	(4,568)	13,848
Industrial and commercial equipment	2,067	696	(43)	(791)	1,929
Other assets	5,177	2,024	(1)	(2,583)	4,617
Leasehold improvements	2,612	499	(8)	(1,020)	2,083
Fixed assets in progress and payments on account	661	6,406	(2,724)	-	4,343
Total	**97,703**	**11,085**	**(2,776)**	**(11,034)**	**94,978**

(In thousands of Euro)	Value 01.01.2021	Additions	Disposals	Depreciation	Contribution from Merger	Impairment	Decrease from Contribution	Value at 31.12.2021
Land	18,010	-	-	-			-	18,010
Buildings	53,815	388	-	(2,062)	-	-	-	52,141
Plant and equipment	21,200	666	-	(4,831)	-	-		17,035
Industrial and commercial equipment	1,803	1,212	(46)	(1,199)	3,009	(1,337)	(1,375)	2,067
Other assets	7,222	951	(22)	(3,005)	31	-	-	5,177
Leasehold improvements	2,553	1,273	(27)	(1,187)	-	-	-	2,612
Fixed assets in progress and payments on account	422	3,384	(3,145)	-	-	-	-	661
Total	**105,025**	**7,874**	**(3,240)**	**(12,284)**	**3,040**	**(1,337)**	**(1,375)**	**97,703**

The increase in 2022:

- in the item "Buildings" refers to works at the Osmannoro – Sesto Fiorentino facility;
- in the item "Plant and equipment" refers mainly to the purchase and installation of new plant at the Osmannoro – Sesto Fiorentino facility;
- in the item "Industrial and commercial equipment" refers largely to the purchase of new furniture and equipment for the stores that were refurbished during the year;
- in the item "Other assets" primarily concerns IT equipment (1,454 thousand Euro) and equipment for the Osmannoro – Sesto Fiorentino facility and certain stores;
- in the item "Leasehold improvements" refers mainly to the renovation of some stores that was completed in 2022.

The item "Fixed assets in progress and payments on account" refers largely to expenses incurred and payments on accounts made for works yet to be completed as at the reporting date. The decrease in the item primarily refers to the completion of construction and renovation work started in previous years. In particular, the balance as at 31 December 2022 is related to the implementation of improvements at the Osmannoro – Sesto Fiorentino facility of Salvatore Ferragamo S.p.A., including the fitting out of a new Ready-To-Wear atelier department.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets. The Company constantly monitors the latest government regulations on climate-related topics. At the moment, no law that materially affects the Company has been passed; should a change become necessary, the Company will adjust the key assumptions used in estimates.

From the analyses carried out no need emerged to recognize any impairment or revaluations on this item.

In 2021, the items "Contribution from Merger" and "Decrease from contribution" referred to the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A. and to the contribution and subsequent sale of the shares in Parfums Italia S.r.l., respectively; for more details, see the 2021 Annual Report.

6. Right-of-use assets

The breakdown of Right-of-use assets as at 31 December 2022 and 2021 is shown in the following table:

	31 December 2022			31 December 2021		
(In thousands of Euro)	**Historical Cost**	**Acc. amortization**	**Net value**	**Historical Cost**	**Acc. amortization**	**Net value**
Right-of-use assets:						
- Buildings	162,853	47,609	115,244	144,536	41,715	102,821
- Vehicles	4,766	2,800	1,966	3,942	2,098	1,844
- Equipment and other assets	480	480	-	779	700	79
Total	**168,099**	**50,889**	**117,210**	**149,257**	**44,513**	**104,744**

The following tables show the change in right-of-use assets for the years ended 31 December 2022 and 2021.

(In thousands of Euro)	**Value at 01.01.2022**	**Additions**	**Decrease**	**Depreciation**	**Value at 31.12.2022**
Right-of-use assets:					
- Buildings	102,821	28,507	(515)	(15,569)	115,244
- Vehicles	1,844	1,468	(35)	(1,311)	1,966
- Equipment and other assets	79	8	-	(87)	-
Total	**104,744**	**29,983**	**(550)**	**(16,967)**	**117,210**

(In thousands of Euro)	**Value at 01.01.2021**	**Additions**	**Decrease**	**Depreciation**	**Contribution from Merger**	**Value at 31.12.2021**
Right-of-use assets:						
- Buildings	93,009	24,941	(722)	(14,644)	237	102,821
- Vehicles	2,386	715	(4)	(1,377)	124	1,844
- Equipment and other assets	340	2	0	(263)	0	79
Total	**95,735**	**25,658**	**(726)**	**(16,284)**	**361**	**104,744**

The line item Buildings includes Right-of-use assets largely relating to leases of stores (accounting for approximately 69.8% of right-of-use assets - Buildings as at 31 December 2022) and, to a lesser extent, leases of offices, company lodgings, and other premises. The largest increases observed during the year refer to new leases started during the year, whereas the most significant declines relate to leases that were either terminated early or for which the Company negotiated a reduction in future lease payments.

For more details on cash outflows related to leases, see notes 24 Lease Liabilities and 33 Costs for services.
As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which may or may not change decisions on where to locate stores/offices.

From the analyses carried out no need emerged to record any impairment on this item.
In 2021, the item "Contribution from Merger" referred to the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A.. For more details, see the 2021 Annual Report.

7. Goodwill

The amount of Goodwill, totaling 6,679 thousand Euro, was entirely acquired in 2020 as a result of the acquisition and subsequent merger of Arts s.r.l. and Aura 1 S.r.l.. This item was unchanged in 2022.

As required by the procedure for analyzing impairment indicators adopted by the Company, goodwill is tested annually to determine the recoverable amount. The impairment test was conducted by grouping CGUs at the Group level as a whole.

In reviewing its impairment indicators, the Company considers, among other factors, the ratio of its market capitalization to book value. As at 31 December 2022, the Company's market capitalization comfortably exceeded the book value of equity, ruling out the existence of an impairment indicator.

The value used to determine the recoverable amount of the CGU is the value in use. This was calculated based on expected cash flows, which were discounted at an appropriate rate (Discounted cash-flow - DCF analysis).
The DCF analysis was prepared using for 2023 the budget (approved by the Board of Directors of Salvatore Ferragamo S.p.A. on 13 December 2022) and for the following two years of explicit forecast (2024 - 2025) the strategic plan (approved by the Board of Directors of Salvatore Ferragamo S.p.A., the highlights of which were presented to the market on 10 May 2022) and which represent the Company's best estimate of the economic conditions expected in the period.

The main assumptions to determine the recoverable amount are given below:

- Growth rate "g": 2.03%, which was assumed to be equal to the rate of inflation expected to prevail over the medium – long term in the main markets where the Group operates;
- Discount rate (Weighted Average Cost of Capital, WACC): equal to 10.19% considering the Group's positive adjusted net financial position (surplus), it is based on government bond yields in the main markets where the Group operates, adjusted to account for the risk premium expected by investors for the specific investment in equity instruments as well as the correlation of such instruments to the relevant market.

The Terminal Value was determined using the perpetuity model with a long-term growth rate "g" and represents the present value, in the final projected year, of all the expected future cash flows.

From the analyses carried out no need emerged to record any impairment on this item.
The sensitivity analysis of the above material assumptions used to determine the recoverable amount, performed on goodwill, did not yield different results in terms of recoverable amount, even when considering substantial changes in the parameters.

8. Intangible assets with a finite useful life

The breakdown of Intangible assets with a finite useful life as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022 Historical Cost	Acc. amortization	Net value	31 December 2021 Historical Cost	Acc. amortization	Net value
Development costs	95,323	73,619	21,704	85,028	63,928	21,100
Know-how	6,380	2,193	4,187	6,380	1,396	4,984
Industrial patents and use of intellectual property rights	19,496	19,002	494	19,129	18,558	571
Concessions, licenses and trademarks	9,239	7,727	1,512	9,029	7,371	1,658
Intangible assets with a finite useful life in progress	4,918	-	4,918	3,333	-	3,333
Total	**135,356**	**102,541**	**32,815**	**122,899**	**91,253**	**31,646**

The following tables show the change in the item Intangible assets with a finite useful life for the years ended 31 December 2022 and 2021:

(In thousands of Euro)	Value at 01.01.2022	Additions	Disposals	Amortization	Value at 31.12.2022
Development costs	21,100	10,296	(2)	(9,690)	21,704
Know-how	4,984	-	-	(797)	4,187
Industrial patents and use of intellectual property rights	571	367	-	(444)	494
Concessions, licenses and trademarks	1,658	211	-	(357)	1,512
Intangible assets with a finite useful life in progress	3,333	11,929	(10,344)	-	4,918
Total	**31,646**	**22,803**	**(10,346)**	**(11,288)**	**32,815**

(In thousands of Euro)	Value at 01.01.2021	Additions	Disposals	Amortization	Contribution from Merger	Impairment	Value at 31.12.2021
Development costs	24,322	6,177	-	(10,184)	785	-	21,100
Know-how	5,782	-	-	(798)	-	-	4,984
Industrial patents and use of intellectual property rights	1,040	230	-	(869)	376	(206)	571
Concessions, licenses and trademarks	1,438	340	-	(368)	248	-	1,658
Intangible assets with a finite useful life in progress	2,764	7,499	(6,955)	-	25	-	3,333
Total	**35,346**	**14,246**	**(6,955)**	**(12,219)**	**1,434**	**(206)**	**31,646**

The increase in 2022:

- in "Development costs" is largely attributable to the capitalization of business software development costs (SAP accounting system, ERP, reporting systems, e-commerce platform, new logistics/distribution system on SAP platform, "New POS Solution" system for the introduction of the new cash and back office system, Oracle Xstore, for the Group's retail channel). As at 31 December 2022, the Company reported no intangible assets arising from internal development;
- in "Industrial patents and use of intellectual property rights", totaling 367 thousand Euro, refers to the cost for licenses to use software for the Company's business operations;
- in "Concessions, licenses and trademarks" refers to the costs for filing and registering the Salvatore Ferragamo trademark.

The item "Know-how" refers to the determination of know-how resulting from the fair value measurement of the assets and liabilities acquired in 2020 as a result of the acquisition and subsequent merger of the entities Arts S.r.l. and Aura 1 S.r.l.; for more details, see the 2020 Annual Report.
Investments in intangible assets under construction as at 31 December 2022 mainly refer to the investment in software development to support business processes, including: investments in the e-commerce platform (which include, among others, developments related to the global strategic partnership with the e-commerce platform of Farfetch) and the investments related to the subsequent releases of the RIO "Regional Inventory Optimization" project, aimed at optimizing the management of the regional retail warehouse.

As envisaged by the analysis procedure for impairment indicators adopted by the Company, at year-end an assessment was made of the possible presence of impairment indicators which can be assessed through internal or external information sources. External sources typically consist of changes in the technological, economic and legal framework in which the Company operates, while internal sources are corporate strategies which can change the use of assets.
From the analyses carried out no need emerged to recognize any impairment or revaluations on this item.
In 2021, the item "Contribution from Merger" referred to the merger of Ferragamo Parfums S.p.A. into Salvatore Ferragamo S.p.A.. For more details, see the 2021 Annual Report.

9. Investments in subsidiaries

The change in Investments in subsidiaries is shown in the following table:

(In thousands of Euro) Company	% investment	Value at 01.01.22	Additions	Reclassification	Value at 31.12.22
Ferragamo Mexico S. de R.L. de C.V.	99.73	538	-	-	538
Ferragamo Austria Gmbh	100	4,434	-	-	4,434
Ferragamo Deutschland GmbH	100	4,627	-	-	4,627
Ferragamo Belgique SA	100	731	-	-	731
Ferragamo (Suisse) SA	100	890	-	-	890
Ferragamo U.K. Limited	100	5,591	-	-	5,591
Ferragamo Australia Pty Ltd.	100	4,132	-	-	4,132
Ferragamo France S.A.S.	100	9,006	-	-	9,006
Ferragamo Espana S.L.	100	1,001	-	-	1,001
Ferragamo Argentina S.A.	95	36	-	-	36
Ferragamo USA Inc.	100	57,875	-	-	57,875
Ferragamo Moda (Shanghai) Co. Ltd.	75	3,732	-	(3,732)	-
Ferragamo Hong Kong Ltd.	100	12,771	-	-	12,771
Ferragamo (Malaysia) Sdn. Bhd.	100	2,856	-	-	2,856
Ferragamo Korea Ltd.	100	36,032	-	-	36,032
Ferragamo Retail Macau Limited	75.2	1,241	-	-	1,241
Ferragamo Retail Nederland B.V.	100	1,337	-	-	1,337
Ferragamo Japan K.K.	89.13	-	25,551	(18,092)	7,459
Ferragamo Chile S.A.	99	-	1,930	(1,060)	870
Ferragamo Retail India Private Limited	100	-	-	-	-
Ferragamo Brasil Roupas e Acessorios Ltda.	99	-	-	-	-
Total		**146,830**	**27,481**	**(22,884)**	**151,427**

The increase of 25,551 thousand Euro related to the subscription of 5,000 new shares issued by Ferragamo Japan K.K., for a total consideration of 3,573,019 thousand JPY. Following this transaction, Salvatore Ferragamo S.p.A. increased its stake in the share capital of the Japanese subsidiary from 71.00% to 89.13% of its share capital. The transaction aims to strengthen the Salvatore Ferragamo Group's presence in Japan, providing Ferragamo Japan K.K. with greater financial resources to develop the local business.

The increase of 1,930 thousand Euro is related to the 1,825,380,000 Chilean Peso capital increase, finalized on 17 October 2022, which was subscribed by Salvatore Ferragamo S.p.A to the extent of its 99% interest in exchange for outstanding trade receivables, and for the remaining 1% by Ferragamo USA Inc.

In accordance with the provisions of IAS 36, the Company undertook an analysis to identify any indicators of impairment and/or permanent losses in value in subsidiaries or whether any grounds for the write-down in the investments applied in previous years no longer exist.
In particular an assessment was made of the recoverability of the residual value of investments in order to ensure that they are not recognized at a value higher than their recoverable amount.

The analyses carried out did not identify indicators of impairment with respect to investments, therefore these were not tested for impairment. Considering the lingering uncertainty over the economic scenario in which the Group operates, please note that in 2022 the Company decided not to calculate any reversal of impairment losses.

The following table shows the change in the provision for excess write-downs of investments and includes the amount considered suitable to cover the remaining losses (applying the due percentage) after the book value of the equity investment is set to zero. The Reclassification column refers to investments no longer recognized and/or recognized for the first time with the Provision for excess write-downs of investments in 2022.

(In thousands of Euro)

Company	% investment	Value at 01.01.22	Provisions	Uses	Reclassification	Value at 31.12.22
Ferragamo (Singapore) Pte Ltd	100	(23,286)	(4,741)			(28,027)
Ferragamo Chile S.A.	99	(1,060)	-	-	1,060	-
Ferragamo (Thailand) Ltd	100	(4,055)		595	-	(3,460)
Ferragamo Monte-Carlo S.A.M.	100	(465)	(363)	-	-	(828)
Ferragamo Japan K.K.	89.13	(16,376)	(1,716)	-	18,092	-
Ferragamo Moda (Shanghai) Co. Ltd.	75	-	(8,310)	-	3,732	(4,578)
Total		**(45,242)**	**(15,130)**	**595**	**22,884**	**(36,893)**

The following table shows the key data from the financial statements of the subsidiaries as at 31 December 2022, together with the historical cost of the investments as well as the Provision for write-downs and the Provision for excess write-downs of investments, if any, as at 31 December 2022:

(In thousands of Euro) Subsidiaries	% investment	Total Shareholders' Equity	Profit/ (loss) for the year	Historical cost of the investment	Provision for write-downs and the Provision for excess write-downs of investments	Net Value of the Investment
Ferragamo Austria Gmbh	100	4,187	113	4,434	-	4,434
Ferragamo Deutschland Gmbh	100	2,594	(2,398)	9,246	(4,619)	4,627
Ferragamo Belgique SA	100	714	14	1,066	(335)	731
Ferragamo France S.A.S.	100	10,787	1,150	12,332	(3,326)	9,006
Ferragamo (Suisse) SA	100	1,679	23	890	-	890
Ferragamo Espana S.L.	100	4,441	826	6,857	(5,856)	1,001
Ferragamo U.K. Limited	100	6,696	322	10,478	(4,887)	5,591
Ferragamo Retail Nederland B.V.	100	1,401	155	2,291	(954)	1,337
Ferragamo Australia Pty Ltd.	100	14,443	261	4,132	-	4,132
Ferragamo USA Inc.*	100	94,037	7,004	57,875	-	57,875
Ferragamo Mexico S. de R.L. de C.V.	99.73	39,158	3,347	538	-	538
Ferragamo Hong Kong Ltd.	100	111,759	1,193	12,771	-	12,771
Ferragamo (Malaysia) Sdn. Bhd.	100	3,811	1,082	2,856	-	2,856
Ferragamo Argentina S.A.	95	256	(167)	3,814	(3,778)	36
Ferragamo Retail India Private Limited	100	(5,314)	(327)	10,211	(10,211)	-
Ferragamo Korea Ltd.	100	59,732	5,221	36,032	-	36,032
Ferragamo Japan K.K.	89.13	8,369	4,341	33,948	(26,489)	7,459
Ferragamo Retail Macau Limited	75.2	2,980	(3,969)	1,241	-	1,241
Ferragamo Chile S.A.	99	863	(1)	3,671	(2,801)	870
Ferragamo Brasil Roupas e Acessorios Ltda.	99	3,997	(81)	17,732	(17,732)	-
Subtotal Investments in subsidiaries				**232,415**	**(80,988)**	**151,427**
Ferragamo Monte-Carlo S.A.M.	100	(828)	(355)	1,063	(1,891)	(828)
Ferragamo Moda (Shanghai) Co. Ltd.	75	(6,105)	(7,437)	3,732	(8,310)	(4,578)
Ferragamo (Thailand) Limited	100	(3,460)	684	2,108	(5,568)	(3,460)
Ferragamo (Singapore) Pte Ltd	100	(28,028)	(3,101)	3,096	(31,123)	(28,027)
Subtotal Investments with Provision for excess write-downs of investm				**9,999**	**(46,892)**	**(36,893)**
Total				**242,414**	**(127,880)**	**114,534**

* Data refer to the Ferragamo USA Group.

10. Other non current assets

The item "Other non current assets" of 2,778 thousand Euro (1,888 thousand Euro as at 31 December 2021) mainly refers to the non-current portion of the Research and Development, design and aesthetic conception, and technological innovation tax credit and the non-current portion of the Tax Credit for donations in support of cultural activities (known as "Art Bonus").

11. Other non current financial assets

"Other non current financial assets", totaling 157 thousand Euro (338 thousand Euro as at 31 December 2021), refer to guarantee deposits, mainly for existing rental contracts, and are accounted for at amortized cost.

12. Inventories

The breakdown of inventories as at 31 December 2022 and 2021 is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Gross value of raw materials, accessories and consumables	25,566	41,069	(15,503)
Provision for obsolete inventory	(2,781)	(4,010)	1,229
Raw materials, accessories and consumables	**22,785**	**37,059**	**(14,274)**
Gross value of finished products and goods for resale	71,711	64,556	7,155
Provision for obsolete inventory	(21,118)	(21,100)	(18)
Finished products and goods for resale	**50,593**	**43,456**	**7,137**
Total	**73,378**	**80,515**	**(7,137)**

The stocks of raw materials, accessories and consumables decreased by 15,503 thousand Euro compared to 2021; the related provision reflects the obsolescence of raw materials (leather and accessories) which are no longer suitable for the Company's production plans for future collections. Raw materials also include leather and materials sent to third parties for subsequent processing.

Stocks of finished products show a net increase of 7,137 thousand Euro. The related provision reflects the difference between the purchase or production cost and the estimated realizable value of products belonging primarily to past collections.

For a better understanding of how the above provisions for obsolete inventory were calculated, please see note 2 "Statement of compliance with IFRS and Basis of presentation – Discretionary valuations and significant accounting estimates".

Net (uses of) and/or allocations to the provision for obsolete inventory were as follows:

(In thousands of Euro)	2022	2021	Change 2022 vs. 2021
Raw materials	(1,229)	(1,260)	31
Finished products	18	(2,622)	2,640
Total	**(1,211)**	**(3,882)**	**2,671**

13. Right of return assets

Concerning the right of return as per “Revenue from contracts with customers”, the line item “Right of return assets”, amounting to 12,654 thousand Euro as at 31 December 2022 (11,759 thousand Euro as at 31 December 2021), includes the estimated cost of the products expected to be returned, equal to the lower of the previous carrying amount of inventories (estimated cost of production) and net realizable value, less potential future costs associated with their recovery. This item is closely related to Refund liabilities (see note 26 Refund liabilities) and largely refers to the Group’s European companies as well as, to a lesser extent, external customers.

14. Trade receivables

The breakdown of trade receivables as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Trade receivables from third parties	26,960	35,897	(8,937)
Provision for bad debt - third parties	(1,338)	(1,936)	598
Trade receivables from subsidiaries	140,915	136,427	4,488
Provision for bad debt - subsidiaries	(5,423)	(5,311)	(112)
Total	**161,114**	**165,077**	**(3,963)**

Trade receivables from third parties mainly refer to the credit exposure arising from sales made in the wholesale channel, they are interest-free and are generally due in 90 days or less. The related provision for bad debt is considered adequate to meet any cases of insolvency.
For detailed information on trade receivables from subsidiaries reference should be made to note 44 Transactions with related parties below.

The changes in the provision for bad debt during 2022 were as follows:

(In thousands of Euro)	Value at 01.01.2022	Provisions	Uses	Value at 31.12.2022
Provision for bad debt - third parties	1,936	-	598	1,338
Provision for bad debt - subsidiaries	5,311	112	-	5,423
Total	**7,247**	**112**	**598**	**6,761**

For an analysis of past due but not impaired trade receivables reference should be made to note 3 "Management of financial risks – Credit risk". The 112 thousand Euro allocation to the Provision for bad debt - subsidiaries refers to the adjustment to year-end exchange rates of the provision for bad debt recognized for Ferragamo Retail India Private Limited, set up in previous years and referring to foreign currency trade receivables. Meanwhile, the 598 thousand Euro drawdown referring to the Provision for bad debt - third parties refers to the closure of receivables that can no longer be recovered and were written off in previous years.

15. Tax receivables

The breakdown of the item is set out in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Due from tax authorities (valued added tax)	12,039	12,122	(83)
Other tax receivables	4,359	4,795	(436)
Total	**16,398**	**16,917**	**(519)**

In line with the previous year, the amount due from tax authorities for VAT outstanding as at 31 December 2022 will largely be claimed back in early 2023.
As at 31 December 2022, the item Other tax receivables mainly included:

- the Research and development, design and aesthetic conception, and technological innovation tax credit, totaling 3,346 thousand Euro, including 537 thousand Euro in the current portion of the credit estimated for 2022, while the remainder refers to current portions accrued in previous periods. The non current portion of said credit is recognized under "Other non current assets";
- the 260 thousand Euro current portion of the tax credit for donations in support of cultural activities – the so-called "Art Bonus", made in 2020, 2021, and 2022; the remaining 347 thousand Euro non current portion was included within "Other non current assets"; the 358 thousand Euro 2022 tax credit for these donations made in 2022 was recognized in profit or loss under "Other income".

16. Other current assets

The breakdown of Other current assets as at 31 December 2022 and 2021 is shown in the following table

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Other receivables for short-term hedging derivatives	7,251	326	6,925
Prepaid expenses	2,626	3,333	(707)
Other receivables	2,864	208	2,656
Receivables from the Holding company	-	2,567	(2,567)
Receivables due from credit card management companies	426	226	200
Accrued income	282	253	29
Receivables from social security institutions	258	89	169
Total	**13,707**	**7,002**	**6,705**

Hedging derivatives, totaling 7,251 thousand Euro (326 thousand Euro as at 31 December 2021), refer to the fair value measurement of outstanding derivative contracts (hedging component) entered into by the Company to manage exchange rate risk on sales in currencies other than the Euro.
Prepaid expenses included 638 thousand Euro (1,370 thousand Euro as at 31 December 2021) in contributions for the fit-out of tailored single brand stores and/or stores-in-stores operated by third parties (TPOS).
The item Other receivables refers for 2,313 thousand Euro to the non-repayable grant accrued as at 31 December 2022 relating to the Innovation Agreement signed on 12 January 2021 between the Company, the Ministry of Economic Development and the Tuscany Region. It should also be noted that in January 2023 the Company received 2.1 million Euro as an advance on the total contribution. For further details see "Significant events occurred during the year - Sustainable Growth Fund Incentives – Innovation Agreement".

17. Other current financial assets

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Financial receivables due from subsidiaries	96,584	98,307	(1,723)
Financial receivables due from subsidiaries (cash pooling)	25,615	-	25,615
Short-term derivatives	256	596	(340)
Other current financial assets	9,999	-	9,999
Total	**132,454**	**98,903**	**33,551**

Financial receivables due from subsidiaries included the loans granted to the subsidiaries Ferragamo Monte-Carlo S.A.M., Ferragamo (Suisse) S.A., Ferragamo U.K. Limited, Ferragamo Japan K.K, Ferragamo USA Inc., Ferragamo (Singapore) PTE Ltd, Ferragamo (Thailand) Limited, and Ferragamo Retail Nederland B.V.. In 2022, with the aim of more efficient cash and liquidity management at Group level, the Company entered into a cash pooling agreement with a number of subsidiaries, in particular, it had a credit exposure of 25,615 thousand Euro as at 31 December 2022. For detailed information on financial receivables due from subsidiaries, reference should be made to note 44 Transactions with related parties below.

The item "Short-term derivatives" totaled 256 thousand Euro and refers to the fair value measurement of derivatives for the non-hedging component (596 thousand Euro as at 31 December 2021). For further details, please refer to note 30 Financial instruments and fair value measurement below.
The item Other current financial assets includes an insurance investment in a readily adjustable Type I policy made by the Company with a view to moderately diversifying its cash management.

18. Cash and cash equivalents

The breakdown of Cash and cash equivalents as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Time deposits	85,000	25,000	60,000
Bank and post office sight deposits	183,617	330,898	(147,281)
Cash and values on hand	216	207	9
Total	**268,833**	**356,105**	**(87,272)**

Bank and post office deposits refer to temporary cash holdings maintained mainly to meet imminent payments or make intercompany loans, which include also a 85 million Euro short-term investment (time deposit). As at 31 December 2022, the Company had unused credit lines amounting to 527,502 thousand Euro; as at 31 December 2021, unused credit lines totaled 465,000 thousand Euro. For more details, see note 20 Interest-bearing loans & borrowings.

The line item cash and cash equivalents as at 31 December 2022 and 2021 was broken down as follows:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Cash and bank sight deposits	183,833	331,105	(147,272)
Time deposits	85,000	25,000	60,000
Total	**268,833**	**356,105**	**(87,272)**

19. Share capital and reserves

The authorized, subscribed, and paid up **share capital** of the Company as at 31 December 2022 totaled 16,879,000 Euro and consisted of 168,790,000 ordinary shares with a nominal value of 0.10 Euro each. During 2022, there were no changes in the number of shares issued.
The treasury share reserve, amounting to 58,202 thousand Euro, consisted of 3,375,800 shares in Salvatore Ferragamo S.p.A., purchased in 2018 (no. 14,000), 2019 (no. 136,000), 2021 (no. 624,163) and in 2022 (no. 2,601,637), at an average unit price of 17.24 Euro.
Share capital contributions of 2,995 thousand Euro were paid in a single amount in 2003 by the Holding company Ferragamo Finanziaria S.p.A. and were reduced in 2007, due to the demerger.
The legal reserve of 4,188 thousand Euro was set up in previous years.
The extraordinary reserve of 570,585 thousand Euro was set up with retained earnings; the change recorded in the period was due to an increase of 32,800 thousand Euro in profit for the year 2021 and due to a decrease of 56,735 thousand Euro referring to dividends paid out in 2022.

The revaluation reserve totaling Euro 25,478 thousand is composed as follows:

- Revaluation reserve as per Italian Law 342/00 amounting to 4,592 thousand Euro;
- Revaluation reserve as per Italian Law 350/03 amounting to 7,420 thousand Euro;
- Revaluation reserve as per Italian Law 266/05 amounting to 13,465 thousand Euro.

No deferred taxes have been allocated to the revaluation reserves based on the assumption that full taxation for these reserves will be indefinitely deferred. Indeed, no transactions are likely to be carried out which would cause their distribution.

The cash flow hedge reserve was positive for 7,216 thousand Euro and is the result of the valuation of the financial instruments defined as cash flow hedges as at 31 December 2022, given the hedges of the Company against exchange rate risk, and is shown net of the tax effect.

The IAS 19 Equity reserve, negative for 1,130 thousand Euro, is the result of the valuation of actuarial gains and losses charged to shareholders' equity, as envisaged by IAS 19, and is shown net of the tax effect. This valuation was made by an independent actuary.

The item Other reserves totaled 17,633 thousand Euro and included the changes arising from the application of IAS/IFRS instead of Italian accounting standards with reference to the Company's opening balance of shareholders' equity as at 1 January 2010 and the closing balance as at 31 December 2010, in addition to the changes arising from the application of IAS/IFRS that concern Salvatore Ferragamo S.p.A. following the merger of Ferragamo Parfums S.p.A. into the Parent company in 2021.
In addition, the item "Other reserves" includes:

- the 2016-2020 Stock Grant Reserve, totaling 921 thousand Euro;
- the Stock Grant Reserve relating to prior years, totaling 5,037 thousand Euro;
- the Stock Grant reserve for the two incentive plans for top management in place on 31 December 2022, in the amount of 5,123 thousand Euro (for details, please refer to note 42).

Finally, the item "Other reserves" included the 1.4 thousand Euro Provision as per art. 55 of Italian Presidential Decree 597/1973 relating to VAT recovery pursuant to art. 15 of Italian Law 26/04/1983.

The amounts are net of the tax effects where applicable.

The following table shows, for each specific entry in shareholders' equity, information regarding the possibility of its use and distribution, as well as its use over the last three years.

Shareholders' equity (In thousands of Euro)	Value at 31.12.22	Possibility of use	Amount available	Summary of uses made in the last three years
Share capital	16,879			
Treasury share reserve	(58,202)			
Share capital reserves				
Revaluation reserve Law 342/00	4,592	A - B	4,592	
Revaluation reserve Law 350/03	7,420	A - B	7,420	
Revaluation reserve Law 266/05	13,465	A - B	13,465	
Share capital contributions	2,995	A - B	2,995	
Provision as per Art. 55	1	A - B - C	1	
Net profit reserves				
Legal reserve	4,188	B	812	
Extraordinary reserve	570,585	A - B - C	570,585	(90,805)
Reserve for adoption of IAS/IFRS	6,908	B*	2,007	
Accumulated gains/losses	(356)	B		
Cash flow hedge reserve	7,216			
IAS 19 reserve	(1,130)			
Stock Grant Reserve	11,081		5,958	
Net profit/(loss) for the year	89,239			
Total	**674,881**		**607,835**	**(90,805)**

Key: A - for share capital increase, B - to cover losses, C - for distribution to shareholders.

* The available part of the reserve can be used only to cover losses and it must be subsequently reintegrated.

20. Interest-bearing loans & borrowings

A breakdown of current and non current interest-bearing loans & borrowings is given below:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Medium/long-term financial payables to banks	-	52,011	(52,011)
Short-term financial payables to banks	-	57,162	(57,162)
Financial payables to subsidiaries (cash pooling)	21,390	-	21,390
Total	**21,390**	**109,173**	**(87,783)**

During 2022, in the light of the cash generated by the Company and the improved general conditions in the credit market, non-current term loans, taken out since 2020, were repaid in advance, when, in view of the effects of the Covid-19 pandemic, the Company had deemed it appropriate to further strengthen its financial structure by increasing committed lines with diversified counterparties.

As at 31 December 2022, the Company reported zero payables to banks, whereas as at 31 December 2021, this value was 109,173 thousand Euro. The credit lines used by the Company are arranged at floating rates. The cost of debt is generally benchmarked to the market rate for the period (usually Euribor/Libor/SOFR or the benchmark of the loan currency on the specific interbank market) increased by a spread which depends on the type of credit line used. In case of drawdowns, the margins applied would be in line with the best market standards.

The financial instruments available are:

i) uncommitted credit lines made available to the Company in order to meet short-term financial needs linked to the management of working capital;

ii) short- and medium/long-term committed credit lines, in the form of either revolving credit lines or term loans, negotiated on a bilateral basis by the Company.

As at 31 December 2022, available committed credit lines had a maximum residual maturity of forty-eight months and a weighted average residual maturity of twenty-four months. The credit lines and the related financial business are spread among leading national and international banks.
In 2022, in order to manage cash and liquidity more efficiently at Group level, the Company entered into a cash pooling agreement with a number of subsidiaries; as at 31 December 2022, the company's debt exposure amounted to 21,390 thousand Euro. For detailed information on financial payables to subsidiaries reference should be made to note 44 Transactions with related parties below.

As far as financial payables to banks are concerned, the following table provides a breakdown by type of the credit lines granted to the Company and the relevant uses:

	31 December 2022		31 December 2021	
(In thousands of Euro)	Agreed	Used	Agreed	Used
Committed credit lines	365,000	-	419,063	74,063
Revolving credit lines	365,000	-	345,000	
Term loans		-	74,063	74,063
Uncommitted credit lines	162,502		155,000	35,000
Total	**527,502**	**-**	**574,063**	**109,063**

The following table provides the breakdown of, and changes in, the net financial position as at 31 December 2022 and 31 December 2021, presented in accordance with the model included in CONSOB Communication no. DEM/6064293 of 28 July 2006 as supplemented by Consob's Warning no. 5/21.

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
A. Cash	183,833	331,105	(147,272)
B. Cash equivalents	85,000	25,000	60,000
C. Other current financial assets*	132,454	98,903	33,551
D. Cash and cash equivalents (A+B+C)	**401,287**	**455,008**	**(53,721)**
E. Current financial payables (including debt instruments)**	36,737	35,513	1,224
F. Current portion of non-current financial payables	-	37,339	(37,339)
G. Current financial debt (E+F)	**36,737**	**72,852**	**(36,115)**
H. Current financial debt, net (G-D)	(364,550)	(382,156)	17,606
I. Non-current financial payables (excluding debt instruments)***	111,674	148,463	(36,789)
J. Debt instruments	-	-	-
K. Trade and other current payables	-	-	-
L. Non current financial debt (I+J+K)	**111,674**	**148,463**	**(36,789)**
M. Net financial debt (H+L)	**(252,876)**	**(233,693)**	**(19,183)**

* The item includes short-term loans of 122,199 thousand Euro granted to Group companies and a cash pooling agreement with a Group Company; for further details, reference should be made to note 17 Other current financial assets and note 44 Transactions with related parties (intra-group transactions).

** The item includes a current lease liability of 14,251 thousand Euro (note 24 Lease liabilities), including 7,453 thousand Euro due to related parties and 21,390 thousand Euro to a cash pooling agreement with a Group Company (note 20 Interest-bearing loans & borrowings). For more details on related parties, reference should be made to note 44 Transactions with related parties.

*** The item comprises the non current lease liability (note 24 Lease liabilities), including 64,986 thousand Euro due to related parties. For more details on the related parties, reference should be made to note 44 Transactions with related parties.

Limitations on the use of financial resources

In general, the Company's committed and uncommitted credit lines (both revolving credit lines and term loans) that are currently outstanding do not require compliance with financial covenants.

One exception is the loan agreement entered into with Intesa Sanpaolo S.p.A. on 24 July 2020, which includes a financial covenant based on the ratio of Adjusted net financial debt/(surplus) to restated EBITDA (EBITDA excluding the impact of the introduction of the accounting standard IFRS 16), to be tested annually, that was comfortably complied with as at 31 December 2022.

21. Provisions for risks and charges

The change in Provisions for risks and charges as at 31 December 2022 is shown in the following table:

(In thousands of Euro)	Value at 01.01.2022	Provisions	Uses	Reclassification	Value at 31.12.2022
Legal disputes	1,582	587	(926)	-	1,243
Provision for other risks	119	-	(44)	-	75
Provision for excess write-downs of investments	45,242	15,130	(595)	(22,884)	36,893
Total	**46,943**	**15,717**	**(1,565)**	**(22,884)**	**38,211**

Legal disputes mainly refer to allocations against likely future liabilities relating to legal proceedings against the Company for labor disputes as well as outstanding contractual and tax disputes. Labor disputes refer both to litigations and to estimates of settlement amounts which the Company might pay for settlement in the pre-litigation stage.

The amount set aside during the period refers to labor and legal disputes that arose during 2022.

The use of the provision for legal disputes, totaling 926 thousand Euro, refers to the settlement of a number of legal and labor proceedings and/or disputes involving the Company.

The provision for other risks refers to the outstanding balance of the additional allowance for a former agent associated with the fragrances business that operated in Italy.

For detailed information and the changes in the Provision for excess write-downs of investments reference should be made to note 9 Investments in subsidiaries.

As regards contingent liabilities, for which no provisions have been made, please refer to the section "Significant events occurred during the year – Tax and customs disputes and audits".

22. Employee benefit liabilities

The line item included 5,310 thousand Euro in Employee benefit liabilities as at 31 December 2022 (6,333 thousand Euro as at 31 December 2021). The following table sets out the changes occurred during the period:

(In thousands of Euro)	31 December 2022	31 December 2021
Present value of the obligation at the beginning of the period	6,333	6,504
Contribution from Merger	-	2,329
Contribution	-	(494)
Service cost	-	63
Financial charge/(income)	28	(10)
Benefits paid	(418)	(1,302)
Actuarial loss/(gain) arising from:		
- Financial assumptions	(963)	(526)
- Demographic assumptions	18	(2)
- Experience-based adjustments	312	(229)
Total actuarial loss / (gain)	(633)	(757)
Present value of the obligation at the end of the period	**5,310**	**6,333**

The main assumptions used in determining the present value of employee severance indemnities were as follows:

	2022	2021
Annual rate of salary increase	2.88%	2.86%
Annual discount rate	3.18%	0.45%
Inflation rate	2.00%	1.50%

As regards the demographic assumptions used in determining defined benefit liabilities, the figure used as a benchmark for the mortality rate is that for the Italian population recorded by ISTAT in 2000, less 25%, broken down by age and gender; meanwhile, the staff turnover rate has been estimated at 5.26% per year.

Here below is a quantitative sensitivity analysis for the main assumptions as at 31 December 2022 and 2021 concerning employee benefit obligations:

		2022		2021	
(In thousands of Euro)	Change %	Increase	Decrease	Increase	Decrease
Annual discount rate	+/- 0.5%	(192)	203	(276)	295
Mortality rate	+/- 0.025%	-	-	(1)	1
Staff turnover rate	+/- 0.5%	7	(8)	(27)	29

The above sensitivity analyses are based on reasonable changes in the key assumptions at the end of the two reporting periods being compared.

The average number of employees (in terms of full-time equivalents) by category is shown in the following table:

Average staff (Full time equivalent)	2022	2021
Top managers, middle managers and store managers	192.03	190.90
White collars	519.97	495.01
Blue collars	161.20	161.60
Temporary Agency staff	24.63	11.26
Total	**897.83**	**858.77**

The rising headcount was largely attributable to the strengthening of the central organization as well as the increase in retail staff at the Italian stores.

23. Other non current liabilities

The item totaling 1,931 thousand Euro includes:

- Payables for leasehold improvement contributions, amounting to 354 thousand Euro (371 thousand Euro as at 31 December 2021), and refers to the straight-lining of two amounts received from lessors in 2020 and in 2022 for the costs incurred to fit out the stores;
- Payables for medium-long term incentive plans to the Company's management amounting to 1,577 thousand Euro, of which 1,462 thousand Euro to the Managing Director and General Manager; for further details see Note 43 Share-based payments below.

24. Lease liabilities

Below are the changes in lease liabilities occurred in 2022 and 2021, broken down between current and non current.

	Lease liabilities		
(In thousands of Euro)	**non current**	**current**	**Total**
Value at 31.12.2021	96,452	15,177	**111,629**
Additions	29,983	-	**29,983**
Disposals	(940)	-	**(940)**
Reclassifications	(13,821)	13,821	-
Repayment of lease liabilities	-	(14,820)	(14,820)
Interest expense on lease liabilities	-	3,095	3,095
Interest expense on lease liabilities paid	-	(2,854)	**(2,854)**
Other changes	-	(168)	**(168)**
Value at 31 December 2022	**111,674**	**14,251**	**125,925**

	Lease liabilities		
(In thousands of Euro)	**non current**	**current**	**Total**
Value at 31.12.2020	85,908	15,792	**101,700**
Additions	25,637		**25,637**
Disposals	(751)		**(751)**
Reclassifications	(14,556)	14,556	-
Contribution from Merger	214	147	**361**
Repayment of lease liabilities	-	(14,819)	(14,819)
Interest expense on lease liabilities	-	2,918	2,918
Interest expense on lease liabilities paid	-	(2,935)	**(2,935)**
Other changes	-	(482)	**(482)**
Value at 31 December 2021	**96,452**	**15,177**	**111,629**

The average weighted IBR applicable to leases outstanding as at 31 December 2022 was 2.80%. As for the other cash outflows related to leases, see note 33 Costs for services.

25. Trade payables

The breakdown of Trade payables as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Trade payables to third parties	96,147	121,278	(25,131)
Invoices to be received	22,055	16,187	5,868
Payables to subsidiaries	25,262	12,131	13,131
Total	**143,464**	**149,596**	**(6,132)**

Trade payables do not bear interest and usually become due after 60/90 days. This item consists of payables relating to the normal commercial activity carried out by the Company, in particular costs for the purchase of raw materials, parts and manufacturing in outsourcing.
For detailed information on trade payables to subsidiaries, reference should be made to note 44 Transactions with related parties below.

26. Refund liabilities

Concerning the right of return as per "Revenue from contracts with customers", the line item "Refund liabilities" (totaling 22,577 thousand Euro) refers to the liability to customers for the amount of the products expected to be returned. This item largely refers to the Group's European companies and is related to Right of return assets (see note 13 Right of return assets).

27. Tax payables

The breakdown of Tax payables as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs. 2021
Payables for current taxes – IRAP	3,938	1,870	2,068
Payables for current taxes – IRES	213	497	(284)
Tax payables due to foreign tax authorities for VAT (EU)	195	249	(54)
Tax payables for withholdings applied	2,179	2,116	63
Other tax payables	2,016	1	2,015
Total	**8,541**	**4,733**	**3,808**

The increase in tax payables compared to 2021 was mainly due to the higher liability for current IRAP taxes and the recognition under Other tax payables of the liability arising from the R&D credit amnesty procedure for the tax periods from 2015 to 2018, which is to be paid within the extended deadline of 16 December 2023 for 2,012 thousand Euro.

Current IRES tax payables refer to the outstanding substitute tax payable to Italian tax authorities, as in 2021 the Company applied for the tax realignment schemes – "standard scheme" for know-how and "special scheme" for goodwill (both items were recognized in 2020 following the acquisition and subsequent merger of Arts S.r.l. and Aura 1 S.r.l.) – to obtain the recognition of said items for tax (IRES and IRAP) purposes.

28. Other current liabilities

The breakdown of Other current liabilities as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	31 December 2022	31 December 2021	Change 2022 vs 2021
Payables to the Holding company	19,106	-	19,106
Payables to staff	14,386	9,334	5,052
Payables to social security institutions	3,426	3,062	364
Other payables to third parties	5,059	1,574	3,485
Other payables for hedging derivatives	6,186	15,206	(9,020)
Accrued expenses	296	242	54
Deferred income	1,725	3,343	(1,618)
Total	**50,184**	**32,761**	**17,423**

Payables to the Holding company include the IRES liability to Ferragamo Finanziaria S.p.A.. For more details, see note 44 "Transactions with related parties" below.

Payables to staff mainly include the Company's payables to employees for amounts accrued but not yet paid at the reporting date.

The item "Payables to social security institutions" refers to payables to social security institutions paid in the month after the reporting period and relating to amounts due to employees.

Other payables to third parties largely include payables due to related parties. For more details, please refer to note 44 Transactions with related parties.

The item "Hedging derivatives" shows the fair value measurement at the end of the year of outstanding derivatives (hedging component) entered into by the Company to manage exchange rate risk. For further details, please refer to note 30 Financial instruments and fair value measurement.

Accrued expenses mainly included the amount accrued as at 31 December 2022 for the 14th month salary for staff members who are employed under the Italian collective labor agreement for the trade industry.

Deferred income mainly includes i) the share pertaining to future years of the key money received from Marchon Europe B.V. (US group Marchon), which licenses the Salvatore Ferragamo brand for eyewear products (Euro 200 thousand), ii) the contribution for advertising activities relating to the eyewear licensee scheduled for 2022, and iii) royalties billed in 2021 but pertaining to future years under the agreements with the counterparties.

29. Other current financial liabilities

Other current financial liabilities, totaling 1,096 thousand Euro as at 31 December 2022, included short-term derivatives (513 thousand Euro as at 31 December 2021) and referred to the fair value of derivatives with a negative mark to market at the reporting date. For further details, please refer to note 30 Financial instruments and fair value measurement below.

30. Financial instruments and fair value measurement

The classification of financial instruments under IFRS 9 involves various items. The following table sets out the book value of outstanding financial instruments, divided by category, compared to the corresponding fair values, as at 31 December 2022 and 31 December 2021.

Classification of financial instruments and presentation of their fair value

Financial assets

	31 December 2022			31 December 2021		
	Book value			Book value		
(In thousands of Euro)	Current portion	Non current portion	Fair Value	Current portion	Non current portion	Fair Value
Financial assets at fair value through profit or loss						
Derivatives – non-hedging component	256	-	256	596	-	596
Assets measured at amortized cost						
Receivables due from credit cards	426		426	226		226
Trade receivables	161,114		161,114	165,077		165,077
Receivables for loans due from subsidiaries	122,199		122,199	98,307		98,307
Guarantee deposits		157	157		338	338
Other current financial assets	9,999		9,999			-
Cash and cash equivalents	268,833		268,833	356,105		356,105
Financial assets at fair value through other comprehensive income						
Derivatives – hedging component	7,251	-	7,251	326	-	326
Total	**570,078**	**157**	**570,235**	**620,637**	**338**	**620,975**

Financial liabilities

(In thousands of Euro)	31 December 2022 Book value Current portion	31 December 2022 Book value Non current portion	31 December 2022 Fair Value	31 December 2021 Book value Current portion	31 December 2021 Book value Non current portion	31 December 2021 Fair Value
Liabilities at amortized cost						
Trade payables and payments on account	143,464		143,464	149,596		149,596
Payables to banks and other lenders			-	57,162	52,011	109,173
Payables for loans due from subsidiaries	21,390		21,390			-
Payables due to shareholders for dividends	2		2			
Lease liabilities	14,251	111,674	n/a*	15,177	96,452	n/a*
Financial liabilities at fair value through profit or loss						
Derivatives – non-hedging component	1,096	-	1,096	513	-	513
Financial liabilities at fair value through other comprehensive income						
Derivatives – hedging component	6,186	-	6,186	15,206	-	15,206
Total	**186,389**	**111,674**	**172,138**	**237,654**	**148,463**	**274,488**

* Under the standard IFRS 16, Lease liabilities are not measured at fair value.

The table shows that most outstanding financial assets and liabilities refer to short-term financial items, except for lease liabilities; taking into account their nature, the book value of most of these items is a reasonable approximation of their fair value.

In all other cases, fair value is measured according to methods which can be classified as Level 2 of the hierarchy of data significance levels used in the fair value calculation as defined by IFRS 13.

The Company uses internal valuation models, which are generally used in finance, on the basis of prices supplied by market operators or prices collected on active markets through leading info-providers.
To determine the fair value of derivatives, the Company uses a pricing model based on market interest rate values and exchange rates at the measurement date.

Also for "Guarantee deposits" the book value is a reasonable approximation of the fair value.

There have been no changes in the valuation methods used compared to the previous years or transfers from one Level to another in the hierarchy of assets or liabilities measured at fair value.

The Company calculates non-performance risk, i.e. the risk that one of the parties may not fulfill its contractual obligations due to a possible default before the derivative expires, both in reference to counterparty risk (Credit Value Adjustment: CVA), and to its own risk (Debt Risk Adjustment: DVA), applying it to the market value of the risk-free portfolio. Taking into account the type of derivatives in the portfolio (solely currency forward contracts), the related expiry dates (not over twelve months), and the Company's and counterparties' ratings, these adjustments are immaterial.

In addition, it should be noted that, in compliance with the ISDA Master Agreements and the existing framework agreements relating to derivatives, it is generally possible to offset (through netting) all the outstanding financial assets and liabilities arising from these derivatives.

The following table summarizes the effects on the income statement and shareholders' equity in reference to each category of outstanding financial instruments for the Company in the years 2022 and 2021.

(In thousands of Euro)	31 December 2022	31 December 2021
Net gains/(losses) on financial instruments recognized in profit or loss:		
Financial assets/liabilities held for trading	(17,925)	(16,180)
Derivatives – hedging component	(25,664)	(332)
Net gains/(losses) on financial instruments recognized in shareholders' equity:		
Derivatives – hedging component	17,921	(15,166)
Interest income/expense (calculated using the internal rate of return method) accrued on financial assets/liabilities not at FVTPL:		
Interest income	2,323	1,488
Interest expense	811	908
Interest expense on lease liabilities	3,095	2,918
Expenses and fees not included in the effective interest rate :		
regarding financial liabilities	1,031	1,296
Interest income accrued on financial instruments written-off		
Provisions for impairment on financial assets:		
receivables/loans	112	375

Comments on the main income statement items

For a better understanding of the development in income statement items, reference should also be made to the comments in the Directors' report on operations relating to the comparison between the data for 2022 and 2021.

31. Revenues from contracts with customers

In 2022 and 2021, revenues from contracts with customers totaled 740,234 thousand Euro and 564,003 thousand Euro, respectively. The tables below provide the breakdown by channel and geographic area of the main categories of revenues from contracts with customers.

2022

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	62,489	147,590	11,898	2,725	224,702
North America	-	216,019	-	7,846	223,865
Asia Pacific	-	199,703	-	5,977	205,680
Japan	-	48,597	-	2,046	50,643
Central and South America	-	33,744	-	1,600	35,344
Total	**62,489**	**645,653**	**11,898**	**20,194**	**740,234**

2021

(In thousands of Euro)	Retail+ e-commerce	Wholesale	Royalties	Other income and services	Total Revenues from contracts with customers
Europe	41,317	125,752	6,473	1,377	174,919
North America	-	124,377	-	6,553	130,930
Asia Pacific	-	193,408	-	5,279	198,687
Japan	-	27,634	-	1,407	29,041
Central and South America	-	29,161	-	1,265	30,426
Total	**41,317**	**500,332**	**6,473**	**15,881**	**564,003**

The Company discloses the disaggregation or revenue using a quali-quantitative approach. The Company recognizes revenue from the sale of goods through both the retail and wholesale channels when control over the asset is transferred to the customer, generally upon delivery; in the case of other income and services, revenue is recognized when the service is rendered to customers.

Wholesale revenues refer mainly to sales to Group companies and, to a lesser extent, to sales to retailers.

Retail and e-commerce revenues refer mainly to revenues generated by sales in directly operated stores (DOS) in Italy and, to a lesser extent, to sales generated on the Company's e-commerce platform.

Revenues from royalties arise mainly from the licensing of the Salvatore Ferragamo brand with reference to the eyewear product category to the company Marchon Europe B.V.; the watches product category to the company Vertime B.V. (Timex Group); and the fragrances product category, licensed to the company Inter Parfums Inc. starting from October 2021. Revenues from royalties are accounted for based on the stage of completion of the licensee's sale.

The item "Other income and services" largely includes the recovery of freight and packaging costs as well as services provided to subsidiaries.

For detailed information on revenues from subsidiaries reference should be made to note 44 Transactions with related parties below.

32. Costs for raw materials, goods and consumables

The breakdown of Costs for raw materials, goods and consumables as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Raw materials	122,052	119,596	2,456
Finished products	48,355	39,395	8,960
Packaging	4,409	3,476	933
Other purchases of materials	742	481	261
Stationery	305	244	61
Change in inventories of raw materials, accessories and consumables	14,275	(13,057)	27,332
Total	**190,138**	**150,135**	**40,003**

33. Costs for services

The breakdown of Costs for services as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Manufacturing in outsourcing	149,144	110,847	38,297
Production, general, administrative and sales costs	111,489	84,724	26,765
Costs for the use of third-party assets	8,676	6,715	1,961
Total	**269,309**	**202,286**	**67,023**

As at 31 December 2022, Production, general, administrative and sales costs mainly included:

- 37,882 thousand Euro in communication costs (press advertising, public relations, store window display expenses, events and other advertising expenses);
- 35,763 thousand Euro in consultancy costs and fees to third parties (legal, administrative, product, manufacturing process, IT and other minor costs);
- 14,945 thousand Euro in freight and logistics costs;
- 3,483 thousand Euro in costs for services from subsidiaries; for details on these costs reference should be made to note 44 Transactions with related parties below;
- 7,602 thousand Euro in maintenance and utility costs;
- 1,378 thousand Euro in fees paid to Directors, Statutory Auditors and Supervisory Board; for detailed information on these fees reference should be made to note 45 Fees paid to Directors and Statutory Auditors below.

The following table shows the impacts of leases accounted for under IFRS 16 as well as outside the scope of said standard on profit or loss in 2022 and 2021:

(In thousands of Euro)	2022	% of Total	2021	% of Total
Depreciation of right-of-use assets	16,967	79.1%	16,177	82.2%
Net interest expense on lease liabilities	2,700	12.6%	2,870	14.6%
Costs relating to short-term leases	470	2.2%	520	2.6%
Costs relating to low-value leases	441	2.1%	370	1.9%
Costs relating to leases with variable payments not included in the measurement of lease liabilities	1,036	4.8%	219	1.1%
Lease payment reductions	(168)	(0.8%)	(482)	(2.4%)
Total	**21,446**	**100.0%**	**19,674**	**100.0%**

Some of the Company's leases contain variable lease payments linked to the revenues generated by stores (DOS), inside leased premises that are not included in the measurement of leases, in accordance with the accounting standard IFRS 16, and are recognized on an accrual basis. As at 31 December 2022, overall variable lease payments accounted for 4.8% of the total expense recognized in profit or loss associated with leases either included or not in the lease liability as per the accounting standard IFRS 16. Variable lease payments depend on sales, and therefore the Group's performance in subsequent years. The Company estimates that in the future variable lease payments will continue to be proportionate to the sales of finished goods.
In general, the Company's lease contracts include terms that prohibit subleasing the leased asset, but do not require the Company to comply with financial covenants.

The Company does not have termination options that it intends to exercise but did not consider when measuring the lease liability. With respect to renewal options, under its accounting policy for determining the lease term the Company considered the renewal options it intends to exercise.

The Company reports commitments for short-term leases expected for 2023 in line with those reported in the 2022 income statement.

34. Personnel costs

The breakdown of Personnel costs as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Salaries and wages	72,674	53,537	19,137
Stock grant plan costs	6,586	-	6,586
MLT incentive plan costs	114	-	114
Social security and welfare cost	15,121	13,453	1,668
Allocation of severance indemnities and allocation to complementary pension funds	3,930	3,183	747
Total	**98,425**	**70,173**	**28,252**

Compared to 2021, there was an increase in personnel costs due to the entry of certain persons in the Company's top management in order to strengthen the organizational structure, in particular the cost of the Managing Director and General Manager for a total of 20,669 thousand Euro (for more details, see Note 45 below, Fees paid to Directors and Statutory Auditors).

35. Amortization, depreciation and write-downs

The breakdown of Amortization, depreciation and write-downs as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Depreciation of tangible assets	11,033	11,811	(778)
Depreciation of right-of-use assets	16,967	16,177	790
Amortization of intangible assets	11,288	12,218	(930)
Total	**39,288**	**40,206**	**(918)**

36. Other operating costs

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
EBIT Adjustment to subsidiaries	22,374	29,889	(7,515)
Donations	1,560	1,235	325
Allocations to the provisions for other operating risks	587	665	(78)
Provision for bad debt – subsidiaries	112	375	(263)
Taxes and charges	1,223	1,035	188
Membership fees	399	361	38
Other operating costs	1,110	989	121
Windfall losses	2,387	345	2,042
Total other operating costs	**29,752**	**34,894**	**(5,142)**

As at 31 December 2022, the item amounted to 29,752 thousand Euro and mainly included:

- costs for Ebit adjustments to subsidiaries in the amount of 22,374 thousand Euro, due to the effect of the renewal of the Transfer Pricing Agreement with the Inland Revenue Office - Central Assessment Department - International Ruling Office, which took place on 20 December 2022, and effective for another five years from 2022 to 2026; this agreement is fully in line with the previous one. For more details, please refer to "Significant events occurred during the year" as well as note 44 "Transactions with related parties" below;
- 1,560 thousand Euro in donations, including 550 thousand Euro in donations made in 2022 to support cultural activities - the so-called "Art Bonus" - and the 250 thousand Euro donation to the Foundation of the Anna Meyer Children's Hospital Onlus;
- 587 thousand Euro in allocations to the provision for risks and charges;
- windfall losses related for 2,082 thousand Euro to the adoption of the R&D credit amnesty procedure, introduced by Article 5, paragraphs 7 to 12, of Decree Law No. 146 of 21 October 2021, for the tax periods from 2015 to 2019 . For more details, please refer to "Significant events occurred during the year".

37. Other income

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Recovery of expenses from subsidiaries	1,885	1,538	347
Positive EBIT Adjustment to subsidiaries	8,484	1,956	6,528
Advertising contributions	4,499	4,449	50
Revenues from Tax Credits	2,156	3,230	(1,074)
Grants received for improvements-straight-lining	57	50	7
Operating grants	2,345	69	2,276
Uses of the Provision for risks and charges and Provision for bad debt	1,251	2,746	(1,495)
Insurance refunds	91	485	(394)
Revenues from museum exhibitions	114	39	75
Other income and revenues	1,637	1,147	490
Total Other income	**22,519**	**15,709**	**6,810**

As at 31 December 2022, “Other income” amounted to 22,519 thousand Euro and mainly included:

- 8,484 thousand Euro in income from EBIT Adjustments by subsidiaries. For more details, please refer to “Significant events occurred during the year” as well as note 44 “Transactions with related parties” below;
- 4,499 thousand Euro in advertising contributions from third parties;
- 1,885 thousand Euro in recovery of expenses from subsidiaries;
- 2,156 thousand Euro in revenues deriving from the recognition of tax credits (including the recognition of estimated Research and Development, design and aesthetic conception, and technological innovation tax credit and the tax credit amounting to 65% of donations in support of cultural activities - known as “Art Bonus” made during the year);
- 1,251 thousand Euro in uses of the provision for bad debt and the provision for risks and charges;
- operating grants, of which 2,313 thousand Euro referring to the non-repayable grant accrued as at 31 December 2022 relating to the Innovation Agreement signed on 12 January 2021 between the Company, the Ministry of Economic Development and the Tuscany Region, recorded against costs already incurred by the Company. For further details see “Significant events occurred during the year - Sustainable Growth Fund Incentives – Innovation Agreement”.

38. Financial charges

The breakdown of Financial charges as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Financial charges for fair value adjustment of derivatives	28,593	19,538	9,055
Write-downs/Provision for excess write-downs of investments	15,131	10,837	4,294
Losses on exchange rate differences	22,901	7,236	15,665
Interest expense on lease liabilities	3,096	2,917	179
Other financial charges	1,238	1,503	(265)
Financial charges on employee benefits under IAS 19	28	-	28
Expenses on lease liabilities	1	-	1
Interest expense	811	891	(80)
Total	**71,799**	**42,922**	**28,877**

For more details on the Write-downs/Provision for excess write-downs of investments, see note 9 Investments in subsidiaries.

39. Financial income

The breakdown of Financial income as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Financial income for fair value adjustment of derivatives	10,668	3,358	7,310
Dividends from investments in subsidiaries	11,212	10,564	648
Financial income from lease liabilities	396	47	349
Restatement/Releases of Provision for excess write-downs of investments	595	-	595
Gains on exchange rate differences	28,439	18,422	10,017
Interest income	610	183	427
Interest income from subsidiaries	1,714	1,295	419
Financial income on employee benefits under IAS 19	-	10	(10)
Total	**53,634**	**33,879**	**19,755**

In 2022, the item dividends from investments in subsidiaries included the dividends paid by the subsidiary Ferragamo Korea Ltd.

40. Income taxes

The breakdown of Income taxes as at 31 December 2022 and 2021 is shown in the following table:

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Current taxes	(29,946)	(5,304)	(24,642)
Deferred taxes	(6,524)	(6,179)	(345)
Total income taxes	**(36,470)**	**(11,483)**	**(24,987)**

The 125,709 thousand Euro profit before taxes caused the Company to recognize 36,470 thousand Euro in taxes, whereas in 2021 the Company had posted a 51,152 thousand Euro profit before taxes, recognizing 11,483 thousand Euro in taxes.

Compared to 2021, the Company's tax rate increased slightly from 25.8% (including the tax effect of the divested Fragrances Business) to 29.0%. This increase is mainly due to the recognition of foreign withholding taxes on dividends received during the year and the different tax base for trade income tax compared to the tax base for IRES purposes. Note that both 2022 and 2021 do not include the benefit of the Patent Box. For more details, please refer to the Directors' report on operations, paragraph "Significant events occurred during the year - Patent Box and Research and development, design, and innovation credits".

(In thousands of Euro)	2022	2021	Change 2022 vs 2021
Current taxes			
IRES	(23,275)	(2,115)	(21,160)
IRAP	(6,671)	(3,189)	(3,482)
Total	**(29,946)**	**(5,304)**	**(24,642)**
Deferred taxes:			
- IRES deferred in current year	3,593	783	2,810
- IRAP deferred in current year	177	124	53
Use of IRES deferred in previous years	(10,081)	(7,357)	(2,724)
Use of IRAP deferred in previous years	(213)	271	(484)
Total	**(6,524)**	**(6,179)**	**(345)**
Taxes from previous years	-	-	-
Use of/(Allocation) to the provision for risks for taxes from previous years	-	-	-
Total income taxes	**(36,470)**	**(11,483)**	**(24,987)**

Deferred tax assets and liabilities

The following table provides a breakdown by nature of deferred tax assets and liabilities as at 31 December 2022 and 31 December 2021:

(In thousands of Euro)	31 December 2022	31 December 2021	31 December 2022	31 December 2021	2022	2021
	Statement of financial position		Other Comprehensive Income		Income statement	
Deferred tax assets						
- on employee benefits	360	512	357	509	-	(21)
- on tangible assets	1,162	1,161	-	-	1	6
- on the cash flow hedge reserve	-	2,024	-	2,022	-	-
- on the valuation of inventories	5,736	6,026	-	-	(290)	(994)
- on tax losses	-	9,017	-	-	(9,017)	(3,336)
- on receivables	335	335	-	-	0	(157)
- on taxed provisions	343	438	-	-	(95)	(197)
- for other temporary differences	6,666	3,789	-	-	2,877	(3,093)
Deferred tax assets	**14,602**	**23,302**	**357**	**2,531**	**(6,524)**	**(7,792)**
Deferred tax liabilities						
- on the cash flow hedge reserve	(2,277)	-	(2,279)	-		-
- on goodwill and fixed assets	-	-			-	1,613
- for other temporary differences	(2,898)	(2,898)	-	-	-	-
Deferred tax liabilities	**(5,175)**	**(2,898)**	**(2,279)**	**-**	**-**	**1,613**
Net effect	**9,427**	**20,404**	**(1,922)**	**2,531**	**(6,524)**	**(6,179)**

Deferred taxes reflect the net tax effect of temporary differences between the book value and the taxable amount of assets and liabilities.
The accounting of assets for deferred taxes was duly adjusted to take account of the effective possibility to be realized.

The reconciliation between the theoretical tax charge and the effective tax charge as at 31 December 2022 and 2021 is as follows:

(In thousands of Euro)	2022	%	2021	%
IRES				
Profit before taxes from continuing operations	125,709		51,152	
Profit before taxes reported in the statement of discontinued operations	-		(6,708)	
Profit before taxes	**125,709**		**44,444**	
Theoretical taxes	30,170	24%	10,667	24.0%
Actual taxes	29,763	23.7%	8,851	19.9%
of which Income taxes reported in the statement of profit/(loss) for the year	29,763	23.7%	8,689	19.6%
of which Income taxes reported in the statement of discontinued operations	-	-	162	1.5%
Difference due to:	**(407)**	**(0.3%)**	**(1,816)**	**(9.2%)**
i) Effect of pass-through mechanism of taxation of income of foreign companies resident in countries/territories with a privileged tax regime	30	0.0%	(11)	(0.0%)
ii) Effect of goodwill and know-how tax realignment	-	-	(1,461)	(3.3%)
iii) Other effects	1,080	0.9%	784	1.8%
Increases				
Write-downs of investments	3,631	2.9%	2,601	5.9%
Other permanent differences	1,472	1.2%	2,820	6.3%
Decreases				
Income from subsidiaries (dividends)	(2,556)	(2.0%)	(2,408)	(5.4%)
Restatement value of investments	(143)	(0.1%)	-	-
IRAP deduction	(398)	(0.3%)	-	-
Tax Credits Impact	(518)	(0.4%)	(775)	(1.7%)
Other permanent differences	(3,005)	(2.4%)	(3,366)	(7.6%)
Total difference	**(407)**	**(0.3%)**	**(1,816)**	**(4.1%)**

(In thousands of Euro)	2022	%	2021	%
IRAP				
Net value of production	**143,875**		**53,542**	
Theoretical taxes	5,611	3.9%	2,088	3.9%
Actual taxes	6,707	4.7%	2,794	5.2%
Difference due to:	**1,096**	**0.8%**	**706**	**1.3%**
i) Effect of increases in regional IRAP rates	67	0.0%	29	0.1%
ii) Effect of goodwill and know-how tax realignment	-	-	(237)	(0.4%)
iii) Other effects	(68)	(0.0%)	-	-
Increases				
Personnel costs	3,775	2.6%	2,791	5.2%
Other permanent differences	314	0.2%	658	1.2%
Decreases				
Tax wedge	(2,881)	(2.0%)	(2,361)	(4.4%)
Tax Credits Impact	(14)	(0.0%)	(125)	(0.2%)
Other permanent differences	(97)	(0.1%)	(49)	(0.1%)
Total difference	**1,096**	**0.8%**	**706**	**1.3%**

Other information

41. Dividends

The Salvatore Ferragamo S.p.A. Parent company, in execution of the resolution of the Shareholders' Meeting of 12 April 2022, provided for the distribution to the Shareholders of a part of the profits allocated to Extraordinary Reserve, drawing on the profits made in 2008 - 2016 and set aside in this reserve, equal to a dividend per share of 0.34 Euro for each of the 166,866,600 ordinary shares outstanding (net of 1,923,400 treasury shares) at the ex-coupon date, for a total of 56,734,644 Euro. As at 31 December 2022, dividends paid amounted to 56,733 thousand Euro.

42. Share-based payments

The Ordinary Shareholders' Meeting of 14 December 2021 approved two incentive plans for the Managing Director and General Manager, Marco Gobbetti, as well as any additional recipients of the Ferragamo Group as the Board of Directors may identify in the future: the "Special Award 2022-2026" plan and the "Restricted Shares Plan". These plans became effective on 1 January 2022 for the Managing Director and General Manager. For more information on the above incentive plans, see the section "Significant events occurred during the year" in the Annual Report as at 31 December 2021 and the relevant documentation about the Meeting, which is available on the Company's website *http://group.ferragamo.com*, section *Governance/Shareholders' Meeting 2021/December-14*.

Restricted Shares Plan

a) Plan description

The Restricted Shares Plan is intended to strengthen the alignment of interests with all the Ferragamo Group's stakeholders as part of the overall remuneration package of the recipients, boosting specifically their motivation and loyalty to the Company and the Ferragamo Group.

As of 31 December 2022, the recipient of the Restricted Shares Plan is the Managing Director and General Manager of the Company. The Board of Directors may identify additional beneficiaries, at its sole discretion, among the managers who hold and will hold the role of directors, employees and/or collaborators of Companies and subsidiaries.

Object of the Plan

At the beginning of each year, the recipients shall be awarded the right to receive a number of Restricted Shares worth a monetary amount established by the relevant corporate bodies for free, dividing said monetary amount by the average value of the shares (i.e., the average of the stock's closing prices) in the 30 days prior to the award of the right.
The Restricted Shares Plan's shares shall then be awarded at the end of a 12-months period from the date the right was awarded, provided:

(1) the Company has met the following minimum targets (so-called underpins) in the reporting period:
   a) a total revenues level at CER (current exchange rates) for the reporting year equivalent to a minimum of 70% of that of the previous year; and
   b) a Ferragamo Group ROIC level at RER (reported exchange rates) for the reference year above the Group's WACC;

(2) the administrative and/or labor and/or collaboration relationship in place between each Beneficiary and the Company/Subsidiary is still in place on the assignment date.

Once assigned, the Restricted Shares will be subject to a 12 months non-transferability clause – the so-called lock-up – starting from the assignment date.

Shares in the Company are to be awarded under the Plan by using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The Restricted Shares Plan must be considered as being provided for an indefinite period of time.
The Managing Director and General Manager, Marco Gobbetti, will be assigned annually, at the beginning of each year of the Restricted Shares Plan, the right to accrue, free of charge, a number of Restricted Shares corresponding to a monetary value of 2,500,000 Euro. For the first financial year ended 31 December 2022, the assignment of Restricted Shares will take place regardless of the achievement of the minimum objectives (so-called underpins).
The expected annual monetary value for any additional beneficiaries will be determined on a case by case basis by the competent corporate bodies.

The Restricted Shares Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

Changes in the period of the number of rights assigned to receive shares*

(i)	Outstanding at the start of the year	-
(ii)	Assigned in the period	114,766
(iii)	Canceled in the period	-
(iv)	Exercised in the period	-
(v)	Expired in the period	-
(vi)	Outstanding at the end of the period	114,766
(vii)	Exercisable at the end of the period	114,766

* The average price for the period has not been indicated since it is a plan with free assignment of shares

b) Changes to the Stock Grant Reserve

	31 December 2022	
	Number	**Fair Value (in thousands of Euro)**
Rights to receive shares assigned to the Managing Director and General Manager		
- at the start of the year	-	-
- assigned in the year	114,766	2,547
- at the end of the period	114,766	2,547

It should be noted that on 1 January 2023, the Managing Director and General Manager Marco Gobbetti accrued the right to receive, free of charge, 114,766 shares of Salvatore Ferragamo S.p.A. ("Restricted Shares 2022") assigned to him on 1 January 2022 under and in pursuance of the provisions of the Restricted Shares Plan. The Restricted Shares 2022, found in full from the stock of treasury shares purchased by Salvatore Ferragamo S.p.A. were transferred to the securities account in the name of the Managing Director and General Manager in February 2023, on the understanding that they are subject to a 12 (twelve) months lock-up.

c) Fair value measurement

The fair value of the Restricted Shares Plan was determined as the fair value of the shares at the time of assignment, discounted by the expected dividends.
The assumptions for the valuation of the Restricted Shares Plan for the Managing Director and General Manager are as follows:

Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.5%
Fair value per share at the assignment date (Euro)	22.19

Special Award 2022-2026 Plan

a) Plan description

The Special Award Plan is intended to strengthen the alignment of interests between top management and all the Ferragamo Group's stakeholders in order to create value, providing recipients with an incentive to meet the Company's medium/long-term targets – also reflected in the strategic plan – and boosting retention.

In consideration and for the purpose of pursuing these objectives, the Special Award Plan provides for a single cycle subject to a five-year performance period. This timeframe is considered to be appropriate for the achievement of the aforementioned long-term objectives pursued with the Special Award Plan.

As of 31 December 2022, the recipient of the Special Award Plan is the Managing Director and General Manager of the Company. The Board of Directors may identify additional beneficiaries (at the beginning of the Plan or during the Vesting Period, with the application, in this case, of a pro rata temporis parameter that re-proportions the Special Award Bonus taking into account the actual period of service during the Vesting Period), at its sole discretion, among the top managers who hold and will hold the role of directors, employees and/or collaborators of Companies and subsidiaries.

Object of the Plan

The Special Award Plan provides for the disbursement of a "Special Award Bonus" in two installments, respectively: (a) at the end of the first three years from 1 January 2022 (i.e. 31 December 2024), once the first objective has been reached; and (b) at the end of the following two years (i.e. 31 December 2026), once the second objective has been reached, subject to the existence at such dates of an administration and/or employment relationship between each Beneficiary and the Company or a Subsidiary, on a case by case basis. The disbursement of the "Special Award Bonus", for both installments, will be paid 50% in cash and the remaining 50% in Company shares.

Each installment shall be equal to a percentage (determined by the Company's competent bodies and equal to 0.50% for the Managing Director and General Manager) of the Company's average capitalization in a period between the three months before and after the end of the first three years and the subsequent two years from the start of the relationship (the "Average Value").

For the portion of the Special Award Bonus that will be paid through the free allocation of Company shares, this shall take place using treasury shares arising from purchases authorized by the Shareholders' Meeting, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, and/or any specific share capital increases pursuant to article 2349, paragraph 1, of the Italian Civil Code.

The shares awarded to recipients will be locked up for 3 months.

The Plan's incentive will be subject to ex-post adjustment mechanisms under the Company's remuneration policies (including claw back clauses, limited to any conduct that constitutes malice attributable to the recipients).

b) Charges to the Stock Grant Reserve and Plan Cost

	31 December 2022 Fair Value (in thousands of Euro)
Rights to receive shares assigned to the Managing Director and General Manager	
- at the start of the year	-
- assigned in the year	2,576
- at the end of the period	2,576

(In thousands of Euro)	2022
Cost of share-based payment transactions (payment in shares)	2,576
Cost of share-based payment transactions (payment in cash)	1,462

c) Fair value measurement

Considering the allocation mechanism set out above, the valuation concerns the total fair value of the plan, influenced by the degree to which the performance objectives related to the valuation of the Company's stock have been achieved. With respect to the accounting standard these are therefore so-called "market based" objectives. The fair value estimation was carried out using a stochastic simulation with the Monte Carlo Method which, based on the appropriate assumptions, allowed to define a substantial number of alternative scenarios in the timeframe considered. In particular, in each scenario, the projection of the share price was carried out starting from the initial value, according to a Brownian geometric movement.

The main assumptions for the evaluation of the Special Award Plan for the Managing Director and General Manager on the date of assignment and on 31 December 2022, for the valuation of the installments to be paid in cash, are presented below. The fair value of the cash payment installment must be valuated at each reporting date.

Valuation at assignment	1 January 2022
Date of assignment	1 January 2022
Share price at the assignment date (Euro)	22.53
Expected dividends	1.5%
Expected volatility*	34%
Outflow rate	0%
Salvatore Ferragamo S.p.A. Share Rate of Return**	(0.07%)

Valuation at the reporting date	31 December 2022
Date of assignment	1 January 2022
Share price at the reporting date (Euro)	16.49
Expected dividends	1.5%
Expected volatility*	39%
Outflow rate	0%
Salvatore Ferragamo S.p.A. Share Rate of Return**	3.27%

* Reasonable estimate based on historical volatility calculated with reference to the valuation date.

** Average interest rate swap rates at the valuation date, respectively at the two three-year and five-year maturities.

43. Segment reporting

Paragraph 4 of IFRS 8 requires that, should both the consolidated and separate financial statements of the Holding company be presented in a single financial report, the segment reporting must be presented only in reference to the consolidated financial statements.

44. Transactions with related parties

This section describes the transactions with related parties for the years ended 31 December 2022 and 2021; in particular, the following table shows the overall values of transactions with related parties, excluding transactions with subsidiaries, as detailed below in this paragraph:

31 December 2022

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	57	(79)	(21)	564	14	-	-	(19,106)	(598)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	32	(7,037)	(1,506)	50,041	2	-	(46)	-	(53,957)
Lungarno Alberghi S.r.l.	15	(2,186)	(647)	15,913	4	-	(43)	-	(17,832)
Fondazione Ferragamo	2	(191)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	24	(32)	-	-	20	-	(22)	-	-
Bacco S.r.l.	-	(2)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	26	(2)	-	-	-	-	-	-	-
Club Swan Racing S.r.l.	14	(34)	-	-	-	-	-	-	-
Club Swan Yachts S.r.l.	4	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	1	5	-	-	6	-	-	-	-
Rubino S.r.l.	-	(39)	-	51	-	5	(1)	-	(51)
Windows on Italy S.r.l.	-	(1)	-	-	1	-	-	-	-
Sole Studio S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(97)	-	-	-	-	-	-	-
Halldis Italia S.r.l.	-	(12)	-	-	-	-	(3)	-	-
Other related parties									
Riccardo Ferragamo	-	(44)	-	-	-	-	-	(5)	-
Giovanna Ferragamo	-	(90)	-	-	-	-	-	-	-
Angiolo Anichini	-	(225)	-	-	-	-	-	(75)	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(23,606)	-	-	-	-	-	(9,694)	-
Total	**176**	**(33,672)**	**(2,174)**	**66,569**	**47**	**5**	**(165)**	**(28,880)**	**(72,438)**
Company's total	**740,234**	**(596,360)**	**(71,799)**	**117,210**	**161,114**	**13,864**	**(143,464)**	**(52,115)**	**(125,925)**
% ratio	**0.0%**	**5.6%**	**3.0%**	**56.8%**	**0.0%**	**0.0%**	**0.1%**	**55.4%**	**57.5%**

31 December 2021

(In thousands of Euro)	Revenues	Operating costs (net of other income)	Financial charges	Right-of-use assets	Trade receivables	Other assets	Trade payables	Other current liabilities	Lease liabilities
Holding company									
Ferragamo Finanziaria S.p.A. (company which exercises management and coordination on Salvatore Ferragamo S.p.A.)	36	(76)	(23)	593	14	2,567	-	-	(622)
Related companies									
Palazzo Feroni Finanziaria S.p.A.	30	(5,900)	(1,535)	48,313	1	70	(78)	-	(51,066)
Lungarno Alberghi S.r.l.	51	(1,935)	(675)	17,185	8	-	(4)	-	(18,888)
Fondazione Ferragamo	2	(170)	-	-	-	-	(50)	-	-
Companies connected to members of the Board of Directors									
Dal Borro S.r.l.	-	(14)	-	-	-	-	(4)	-	-
Bacco S.r.l.	-	(3)	-	5	-	-	-	-	(6)
Baia di Scarlino S.r.l.	2	-	-	-	3	-	-	-	-
Caretti & Associati S.r.l.	-	(50)	-	-	-	-	-	-	-
Castiglion del Bosco S.a.r.l.	7	(9)	-	-	-	-	(3)	-	-
Castiglion del Bosco Hotel S.r.l.	9	-	-	-	-	-	-	-	-
Il Borro S.r.l. Società agricola	6	(1)	-	-	5	-	(1)	-	-
Rubino S.r.l.	-	-	-	-	-	2	-	-	-
Nautor Swan S.r.l.	-	(17)	-	-	-	-	-	-	-
Osteria del Borro S.r.l.	4	-	-	-	-	-	-	-	-
Windows on Italy S.r.l.	-	(4)	-	-	-	-	(4)	-	-
Prisma Property Investment Management S.r.l.	1	-	-	-	-	-	-	-	-
Vivia di Vivia Ferragamo & C. SAS	-	(179)	-	-	-	-	(20)	-	-
Other related parties									
Riccardo Ferragamo	-	(30)	-	-	-	-	-	(2)	-
Federica Anichini	-	(49)	-	-	-	-	-	-	-
Angiolo Anichini	-	(271)	-	-	-	-	-	(75)	-
Giuseppe Anichini	-	(5)	-	-	-	-	-	-	-
Directors, Statutory Auditors and Managers with strategic responsibilities									
Directors, Statutory Auditors and Managers with strategic responsibilities	-	(7,372)	-	-	-	-	-	(1,792)	-
Total	**148**	**(16,085)**	**(2,233)**	**66,096**	**31**	**2,639**	**(164)**	**(1,869)**	**(70,582)**
Company's total	**564,003**	**(503,808)**	**(42,922)**	**104,744**	**165,077**	**7,339**	**(149,596)**	**(32,761)**	**(111,629)**
% ratio	**0.0%**	**3.2%**	**5.2%**	**63.1%**	**0.0%**	**36.0%**	**0.1%**	**5.7%**	**63.2%**

Sales and purchases between related parties are carried out at normal market prices. The outstanding balances at the end of the period are not backed by guarantees, do not generate interest, and are settled in cash. Bank guarantees were issued in favor of Palazzo Feroni Finanziaria S.p.A. (1,845 thousand Euro), in favor of Lungarno Alberghi S.r.l. (488 thousand Euro), and in favor of Ferragamo Finanziaria S.p.A. (23 thousand Euro): they concerned the leasing of properties owned by said companies. There are no other guarantees, given or received, relating to receivables and payables with related parties. The Company did not make any allocations to the provision for bad debt with respect to the amounts due from related parties. Please note that in 2017 the Company recognized a provision for bad debt with respect to the receivables due from the subsidiary Ferragamo Retail India Private Limited, amounting to 5,423 thousand Euro as at 31 December 2022. For additional details, please refer to note 14 Trade receivables.

Specifically:

Holding company

Ferragamo Finanziaria S.p.A.

Under the domestic fiscal unity in which Salvatore Ferragamo S.p.A. participates together with Ferragamo Finanziaria S.p.A. (the consolidating entity), a payable of 19,106 thousand Euro, referring to the net IRES (corporation tax) liability as of the date, is shown under Other current liabilities.

Salvatore Ferragamo S.p.A. has one outstanding lease contract with Ferragamo Finanziaria S.p.A. concerning the lease of an industrial shed adjacent to the Osmannoro facility, which the Parent company converted into a design and prototyping laboratory for the development of leather goods. Since it falls within the scope of IFRS 16, the lease was accounted for by recognizing a right-of-use asset, depreciated over the lease term, and a corresponding lease liability.

Related companies

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

In particular, the following transactions should be noted:

Palazzo Feroni Finanziaria S.p.A.

Revenues and the relevant receivables largely refer to IT and administrative services.
Right-of-use assets and lease liabilities, operating costs, and finance expense largely refer to leases for the headquarters in Florence and some stores of the Italian chain, which mostly fall within the scope of IFRS 16.

Lungarno Alberghi S.r.l.

Revenues (and the relevant credit balances) refer to product sales; right-of-use assets, lease liabilities, operating costs, and financial charges largely refer to the lease of a space used as a store of the Italian retail chain, which falls within the scope of IFRS 16.

Fondazione Ferragamo

The costs (and the related accounts payable balances) incurred refer for 101 thousand Euro to the services provided for the management of the Salvatore Ferragamo historical archive (100 thousand Euro in 2021) and for 90 thousand Euro to donations to support the institutional activities of the Foundation (70 thousand Euro in 2021).

Companies connected to members of the Board of Directors

These transactions mainly refer to trade transactions that affected revenues, operating costs, and trade receivables and payables. They include mainly:

- sale of products;
- leases; if they fall within the scope of IFRS 16, they are accounted for accordingly (i.e. by recognizing right-of-use assets, lease liabilities, depreciation expense, and financial charges), otherwise lease payments are recognized through profit or loss on a straight-line basis over the lease term and the relevant payables are included in Trade payables;
- rendering of services.

Other related parties

With respect to the other related parties, costs, and the relevant payables, refer to the cost incurred primarily by the Company under the working relationship in place during the year.

Directors, Statutory Auditors and Managers with strategic responsibilities

For information on Directors and Statutory Auditors, please refer to note 45 Fees paid to Directors and Statutory Auditors. The Managers with strategic responsibilities are listed in the following table:

Full name	Role
Giacomo Ferragamo	Chief Transformation & Sustainability Officer
Alessandro Corsi	Chief Financial Officer and Manager charged with preparing Company's Financial Reports

The costs associated with the managers with strategic responsibilities referred to the cost incurred by the Company as part of the employment relationship, including the variable bonus. In 2022, they amounted to 1,257 thousand Euro (compared to 1,272 thousand Euro in 2021). Typically, the managers with strategic responsibilities receive non-monetary benefits such as cars, mobile phones, and insurance policies.

Intragroup transactions

The following tables show the overall values, in thousands of Euro, of transactions with subsidiaries (including any transactions arising from the discontinued operation in 2021):

(In thousands of Euro)	Trade receivables		Other current financial assets		Trade payables		Other current financial liabilities	
Company	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Ferragamo Deutschland GmbH	1,920	1,231	-	-	2,171	1,251	-	-
Ferragamo France S.A.S.	3,733	2,174	-	-	7,718	6,861	-	-
Ferragamo (Suisse) S.A.	901	349	3,148	2,517	1,221	289	-	-
Ferragamo Monte-Carlo S.A.M.	216	-	1,200	1,000	-	130	-	-
Ferragamo Belgique S.A.	277	304	-	-	360	76	-	-
Ferragamo Espana S.L.	3,019	1,704	-	-	1	3	-	-
Ferragamo U.K. Limited	1,124	637	7,216	1,666	6,805	704	-	-
Ferragamo Austria Gmbh	536	414	-	-	421	175	-	-
Ferragamo Retail Nederland BV	2,190	800	1,400	1,400	441	182	-	-
Total Europe	**13,916**	**7,613**	**12,964**	**6,583**	**19,138**	**9,671**	**-**	**-**
Ferragamo Hong Kong Ltd.	19,044	30,538	-	-	132	383	21,390	-
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	1,788	1,408	-	-	3,134	156	-	-
Ferragamo Japan KK	4,411	4,319	37,680	49,854	285	225	-	-
Ferragamo Moda (Shanghai) Co. Ltd.	36	38	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	-	-	-	77	-	-
Ferragamo Retail Taiwan Limited	34	17	-	-	-	-	-	-
Ferragamo Retail Macau Limited	-	5	-	-	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	245	270	-	-	28	98	-	-
Ferragamo Korea Ltd	15,002	13,890	-	-	610	497	-	-
Ferragamo (Singapore) PTE LTD	329	108	37,063	32,725	4	1	-	-
Ferragamo Thailand Limited	183	96	8,877	7,755	-	-	-	-
Ferragamo (Malaysia) SDN BHD	15	8	-	-	-	1	-	-
Total Asia Pacific	**41,087**	**50,697**	**83,620**	**90,334**	**4,193**	**1,438**	**21,390**	**-**
Gruppo Ferragamo Usa Inc.	52,830	52,109	25,615	1,390	1,190	847	-	-
Total North America	**52,830**	**52,109**	**25,615**	**1,390**	**1,190**	**847**	**-**	
Ferragamo Mexico S. de R.L. de C.V.	16,701	12,375	-	-	326	176	-	-
Ferragamo Chile S.A.	1,944	3,131	-	-	64	-	-	-
Ferragamo Argentina S.A.	1,875	1,639	-	-	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	7,139	3,551	-	-	350	-	-	-
Total Central and South America	**27,659**	**20,696**	**-**	**-**	**740**	**176**	**-**	**-**
Total	**135,492**	**131,115**	**122,199**	**98,307**	**25,261**	**12,132**	**21,390**	**-**

(In thousands of Euro)	Revenues from sales		Revenues from services (including royalties)		Other income		Financial income		Total	
Company	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Ferragamo Deutschland GmbH	3,340	1,229	97	62	37	46	-	8	3,474	1,345
Ferragamo France S.A.S.	8,168	4,082	156	116	58	31	-	-	8,382	4,229
Ferragamo (Suisse) S.A.	4,048	3,658	76	66	26	11	12	7	4,162	3,742
Ferragamo Monte-Carlo S.A.M.	372	(157)	29	29	3	5	9	2	413	(121)
Ferragamo Belgique S.A.	293	853	33	35	5	6	-	1	331	895
Ferragamo Espana S.L.	6,408	3,294	114	77	492	23	-	6	7,014	3,400
Ferragamo U.K. Limited	10,432	5,505	145	98	47	33	63	72	10,687	5,708
Ferragamo Austria Gmbh	1,452	702	36	38	10	6	-	-	1,498	746
Ferragamo Retail Nederland BV	2,611	1,853	47	42	8	7	11	4	2,677	1,906
Total Europe	**37,124**	**21,019**	**733**	**563**	**686**	**168**	**95**	**100**	**38,638**	**21,850**
Ferragamo Hong Kong Ltd.	148,281	149,501	542	528	290	331	-	10,563	149,113	160,923
Ferragamo Retail Hong Kong Ltd.	-	-	54	49	32	23	-	-	86	72
Ferragamo Australia Pty Ltd.	7,545	5,108	363	367	60	47	-	-	7,968	5,522
Ferragamo Japan KK	34,329	26,824	707	977	110	116	199	204	35,345	28,121
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	62	51	33	43	-	-	95	94
Ferragamo Retail India Private Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Taiwan Limited	-	-	41	40	33	19	-	-	74	59
Ferragamo Retail Macau Limited	-	-	12	10	10	6	-	-	22	16
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	262	289	177	156	-	-	439	445
Ferragamo Korea Ltd	56,918	43,343	624	570	4,575	1,946	11,212	-	73,329	45,859
Ferragamo (Singapore) PTE LTD	-	-	36	23	42	32	831	346	909	401
Ferragamo Thailand Limited	-	-	15	11	19	15	743	121	777	147
Ferragamo (Malaysia) SDN BHD	-	-	20	17	21	16	-	-	41	33
Total Asia Pacific	**247,073**	**224,776**	**2,738**	**2,932**	**5,402**	**2,750**	**12,985**	**11,234**	**268,198**	**241,692**
Gruppo Ferragamo Usa Inc.	232,175	124,358	6,996	5,690	1,098	398	440	524	240,709	130,970
Total North America	**232,175**	**124,358**	**6,996**	**5,690**	**1,098**	**398**	**440**	**524**	**240,709**	**130,970**
Ferragamo Mexico S. de R.L. de C.V.	34,113	20,867	511	517	3,173	194	-	-	37,797	21,578
Ferragamo Chile S.A.	1,054	683	-	-	1	-	-	-	1,055	683
Ferragamo Argentina S.A.	417	708	-	-	1	-	-	-	418	708
Ferragamo Brasil Roupas & Acessorios Ltda	4,337	2,017	-	-	9	4	-	-	4,346	2,021
Total Central and South America	**39,921**	**24,275**	**511**	**517**	**3,184**	**198**	**-**	**-**	**43,616**	**24,990**
Total	**556,293**	**394,428**	**10,978**	**9,702**	**10,370**	**3,514**	**13,520**	**11,858**	**591,161**	**419,502**

(In thousands of Euro) Company	Purchases of finished products, raw materials, accessories and consumables		Costs for services		Other operating costs		Financial charges		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Ferragamo Deutschland GmbH	23	68	-	2	2,167	3,660	-	-	2,190	3,730
Ferragamo France S.A.S.	21	77	78	88	7,632	6,775	-	-	7,731	6,940
Ferragamo (Suisse) S.A.	12	12	-	1	1,221	2,594	-	-	1,233	2,607
Ferragamo Monte-Carlo S.A.M.	1	6	-	-	-	-	-	-	1	6
Ferragamo Belgique S.A.	1	6	-	-	360	613	-	-	361	619
Ferragamo Espana S.L.	26	31	-	1	-	1,726	-	-	26	1,758
Ferragamo U.K. Limited	(41)	41	39	4	6,768	6,707	-	-	6,766	6,752
Ferragamo Austria Gmbh	1	13	-	-	421	811	-	-	422	824
Ferragamo Retail Nederland BV	4	18	-	1	441	1,261	-	-	445	1,280
Total Europe	**48**	**272**	**117**	**97**	**19,010**	**24,147**	**-**	**-**	**19,175**	**24,516**
Ferragamo Hong Kong Ltd.	-	-	74	1,120	-	-	179	-	253	1,120
Ferragamo Retail Hong Kong Ltd.	-	-	-	-	-	-	-	-	-	-
Ferragamo Australia Pty Ltd.	-	-	254	233	2,949	4,988	-	-	3,203	5,221
Ferragamo Japan KK	-	-	769	606	-	-	-	-	769	606
Ferragamo Moda (Shanghai) Co. Ltd.	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail India Private Limited	-	-	47	443	-	-	-	-	47	443
Ferragamo Retail Taiwan Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Retail Macau Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo Fashion Trading (Shanghai) Co. Ltd	-	-	28	748	-	-	-	-	28	748
Ferragamo Korea Ltd	-	-	611	510	-	-	-	-	611	510
Ferragamo (Singapore) PTE LTD	-	-	4	25	-	-	-	-	4	25
Ferragamo Thailand Limited	-	-	-	-	-	-	-	-	-	-
Ferragamo (Malaysia) SDN BHD	-	-	-	1	-	-	-	-	-	1
Total Asia Pacific	**-**	**-**	**1,787**	**3,686**	**2,949**	**4,988**	**179**	**-**	**4,915**	**8,674**
Gruppo Ferragamo Usa Inc.	-	-	423	1,342	-	754	-	-	423	2,096
Total North America	**-**	**-**	**423**	**1,342**	**-**	**754**	**-**	**-**	**423**	**2,096**
Ferragamo Mexico S. de R.L. de C.V.	-	-	1,156	630	-	-	-	-	1,156	630
Ferragamo Chile S.A.	-	-	-	-	64	-	-	-	64	-
Ferragamo Argentina S.A.	-	-	-	-	-	-	-	-	-	-
Ferragamo Brasil Roupas & Acessorios Ltda	-	-	-	1	350	-	-	-	350	1
Total Central and South America	**-**	**-**	**1,156**	**631**	**414**	**-**	**-**	**-**	**1,570**	**631**
Total	**48**	**272**	**3,483**	**5,756**	**22,373**	**29,889**	**179**	**-**	**26,083**	**35,917**

45. Fees paid to Directors and Statutory Auditors

Directors

(In thousands of Euro)		2022							
				Fees					
Full name	Position held	Term of office	End of term of office	for the position held	as committee members	Non-monetary benefits	Salaries, bonuses and other incentives	Stock Grant	Total
Leonardo Ferragamo	Chair	1.01-31.12	a)	400	-	b)	-	-	400
Angelica Visconti	Deputy Chair	1.01-31.12	a)	200	-	b) c) d) e)	302	-	502
Marco Gobbetti	Managing Director and General Manager	1.01-31.12	a)	120	-	b) c) d) e)	14,083	6,586	20,789
Giacomo Ferragamo	Director	1.01-31.12	a)	50	-	b) c) d)	712	-	762
Frédéric Biousse	Director	1.01-31.12	a)	50	-		-	-	50
Patrizia Michela Giangualano	Director	1.01-31.12	a)	50	30		-	-	80
Annalisa Loustau Elia	Director	1.01-31.12	a)	50	20		-	-	70
Umberto Tombari	Director	1.01-31.12	a)	50	42		-	-	92
Peter Woo Kwong Ching	Director	1.01-31.12	a)	-	-		-	-	-
Anna Zanardi Cappon	Director	1.01-31.12	a)	50	47		-	-	97
Totale				**1,020**	**139**		**15,097**	**6,586**	**22,842**

a) upon approval of the 2023 financial statements. It should be noted that on 27 February 2023, Anna Zanardi Cappon resigned as a Director, effective as of the date of the Shareholders' Meeting to approve the financial statements for the year 2022.

b) car; c) mobile phone; d) insurance policies; e) accommodation.

Statutory Auditors

(In thousands of Euro)		2022					
Full name	Position held	Term of office	End of term of office	Fees for the position held	Other fees*	Other fees received from subsidiaries	Grand total
Andrea Balelli	Chair	01.01-31.12	a)	64	15	-	79
Paola Caramella	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Giovanni Crostarosa Guicciardi	Acting Statutory Auditor	01.01-31.12	a)	48	12	-	60
Total				**160**	**39**	**-**	**199**

a) upon approval of the 2022 financial statements

* Other fees refer to amounts due for the position as Chair or member of the Supervisory Board pursuant to Italian Leg. Decree 231/2001

Please note that the members of the Board of Statutory Auditors have not received other fees from Group companies.

It should be noted that for Directors and Statutory Auditors no severance indemnities are envisaged.

46. Commitments and risks

The breakdown of the commitments and risks is as follows:

(In thousands of Euro)	31 December 2022	31 December 2021
Sureties and guarantees provided by third parties to third parties in the interests of the Company	9,594	5,758
Sureties and guarantees provided by third parties to third parties in the interests of Group companies	10,253	9,914
Guarantees provided by the Company to third parties in the interests of Group companies	105,167	109,510
Total	**125,014**	**125,182**

The Sureties and guarantees provided by third parties in the interests of the Company consist of bank sureties and guarantees on lease contracts.

The sureties and guarantees provided by third parties in the interests of Group companies represent the sureties and guarantees on lease contracts entered into by Group companies, including a guarantee for 6 million US Dollars (equal to 5,625 thousand Euro) relating to a lease contract of the Ferragamo USA Group.

The guarantees provided by the Company to third parties in the interests of Group companies are mainly in favor of banks to guarantee credit lines which may be used locally.

47. Public funds Disclosure as per art. 1 paragraphs 125-129 of Italian Law no. 124/2017

Pursuant to art. 1, paragraph 125, of Italian Law 124/2017, as for the requirement to disclose in the notes any funds received during the year in the form of aid, grants, paid services, and generally economic benefits of any kind from public administrations and the entities as per paragraph 125 of the same article, in 2022 Salvatore Ferragamo S.p.A. received 32 thousand Euro for paid curricular internships from Tuscany's Regional Government. In accordance with art. 3-quater of Italian Law Decree 135/2018, converted with the relevant amendments into Law no. 12 of 11 February 2019, with respect to the funds received, please refer to the information in the National State Aid Register as per article 52 of Italian Law no. 235 of 24 December 2012.

48. Significant non-recurring events and transactions

During 2022, the Company did not carry out significant non-recurring transactions and no significant non-recurring events occurred.

49. Transactions arising from atypical and/or unusual transactions

The Company did not undertake atypical and/or unusual transactions, i.e. those transactions which, due to their importance/size, the counterparties involved, the subject of the transaction, the means of determining the transfer price and the timing of the event, may give rise to doubts about the correctness/completeness of the information provided in the financial statements, conflicts of interest, the safeguarding of the company's equity and the protection of minority interests.

50. Information on the direct and indirect subsidiaries of Salvatore Ferragamo S.p.A.

The direct and indirect subsidiaries of Salvatore Ferragamo S.p.A. as at 31 December 2022 are detailed below:

				31 December 2022 Controlling interest (%)		
Company name	Location	Currency	Share capital	Direct	Indirect	Notes
Ferragamo Retail Nederland B.V.	Amsterdam, Holland	Euro	500,000	100%		
Ferragamo France S.A.S.	Paris, France	Euro	4,334,094	100%		
Ferragamo Deutschland GmbH	Munich, Germany	Euro	3,300,000	100%		
Ferragamo Austria GmbH	Vienna, Austria	Euro	1,853,158	100%		
Ferragamo U.K. Limited	London, United Kingdom	Pound Sterling	7,672,735	100%		
Ferragamo (Suisse) SA	Mendrisio, Switzerland	Swiss Franc	1,000,000	100%		
Ferragamo Belgique SA	Brussels, Belgium	Euro	750,000	100%		
Ferragamo Monte-Carlo S.A.M.	Principality of Monaco	Euro	304,000	100%		
Ferragamo Espana S.L.	Madrid, Spain	Euro	4,600,000	100%		
Ferragamo USA Inc.	New York, United States	US Dollar	74,011,969	100%		
Ferragamo Canada Inc.	Vancouver, Canada	Canadian Dollar	4,441,461		100%	(1)
S-Fer International Inc.	New York, United States	US Dollar	4,600,000		100%	(1)
Sator Realty Inc.	New York, United States	US Dollar	100,000		100%	(1)
Ferragamo Mexico S. de R.L. de C.V.	Mexico City, Mexico	Mexican Peso	4,592,700	99.73%	0.27%	(1)
Ferragamo Chile S.A.	Santiago, Chile	Chilean Peso	3,187,970,000	99%	1%	(1)
Ferragamo Argentina S.A.	Buenos Aires, Argentina	Argentine Peso	16,000,000	95%	5%	(1)
Ferragamo Brasil Roupas e Acessorios Ltda.	Sao Paulo, Brazil	Brazilian Real	55,615,000	99%	1%	(1)
Ferragamo Hong Kong Ltd.	Hong Kong, China	Hong Kong Dollar	10,000	100%		
Ferragamo Japan K.K.	Tokyo, Japan	Japanese Yen	305,700,000	89.13%		
Ferragamo Australia Pty Ltd.	Sydney, Australia	Australian Dollar	13,637,003	100%		
Ferrimag Limited	Hong Kong, China	Hong Kong Dollar	109,200,000		75%	(2)
Ferragamo Fashion Trading (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	200,000		75%	(3)
Ferragamo Moda (Shanghai) Co. Ltd.	Shanghai, China	US Dollar	1,400,000	75%		
Ferragamo Retail HK Limited	Hong Kong, China	Hong Kong Dollar	39,000,000		75%	(3)
Ferragamo Retail Taiwan Limited	Taipei, Taiwan	New Taiwanese Dollar	136,250,000		75%	(3)
Ferragamo Retail Macau Limited	Macau, China	Macau Pataca	25,000	75.2%		
Ferragamo Retail India Private Limited	New Delhi, India	Indian Rupee	300,000,000	100%		(4)
Ferragamo Korea Ltd.	Seoul, South Korea	South Korean Won	3,291,200,000	100%		
Ferragamo (Singapore) Pte Ltd	Singapore	Singapore Dollar	4,600,000	100%		
Ferragamo (Thailand) Limited	Bangkok, Thailand	Baht	100,000,000	100%		
Ferragamo (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	Malaysian Ringgit	1,300,000	100%		

1.Through Ferragamo USA Inc.;
2.Through Ferragamo Hong Kong Ltd.;
3.Through Ferrimag Limited;
4.Non-operating company

51. Significant events occurred after 31 December 2022

On 28 February 2023, Salvatore Ferragamo S.p.A. announced that Ms Anna Zanardi Cappon, Independent Non-Executive Director as well as Chair of the Nomination and Remuneration Committee and member of the Control and Risks Committee, resigned from the Board of Directors of Salvatore Ferragamo S.p.A., effective as of the date of the Shareholders' Meeting held to approve the financial statements for the year 2022. According to the communication received, this decision was taken following her appointment as Chair of another listed company in compliance with the Principles for the Selection of Candidates for Corporate Offices in Listed Companies that Zanardi Cappon joined in order to be included in the list submitted by minority shareholders. In line with Salvatore Ferragamo S.p.A.'s remuneration policy, no termination indemnities or other benefits will be paid.

In its meeting of 2 March 2023, the Board of Directors resolved to call the Ordinary and Extraordinary Shareholders' Meeting of Salvatore Ferragamo S.p.A. for 26 April 2023 to resolve, among other items on the agenda, on: i) the approval of an incentive plan reserved for directors and/or employees and/or collaborators of the Company and the companies of the Salvatore Ferragamo Group; ii) the amendment of the "Restricted Shares" Plan, approved by the Shareholders' Meeting of 14 December 2021, in favor of the Managing Director and General Manager (aligning the underpins with the more challenging objectives of the Strategic Plan); iii) the approval of the 2023 Remuneration Policy; and iv) the appointment of the Board of Statutory Auditors.
For further details, please refer to the documentation made available on the Company's website *https://group.ferragamo.com/en/governance/shareholders-meetings/2023*.

52. Proposal to approve the financial statements and allocation of profit

The Board of Directors of Salvatore Ferragamo S.p.A., in relation to the results achieved in 2022 and considering that on 2 March 2023 the number of treasury shares held in the Company's portfolio was 3,261,034, proposes to:

1. submit the 2022 Separate Financial Statements to your approval;
2. recommend approving the allocation of the profit for the year 2022, totaling 89,239,108 Euro, to the Extraordinary Reserve;
3. approve the distribution to the Shareholders of a portion of the "Extraordinary Reserve" (which amounted to 570,584,488 Euro as at 31 December 2022), in the amount of 0.28 Euro per share, estimated at a total of 46,348,110.48 Euro, considering the shares outstanding as at 2 March 2023.

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

(In thousands of Euro)

Type of services	Subject which supplied the service	Recipient	Notes	Total fees for 2022
Audit	Independent Auditors of the Parent company	Parent company		329
Other services	i) Independent Auditors of the Parent company	Parent company	1	62
	ii) Independent Auditors' network of the Parent company	Parent company	2	7
Total				**398**

1) The item refers to the certification of the Consolidated Non-Financial Statement.
2) This item refers to support services for the preparation of an E-learning course.

Florence, 2 March 2023

On behalf of the Board of Directors

The Chair
Leonardo Ferragamo

Statement pursuant to article 154 bis of Leg. Decree no. 58 of 24 February 1998 (Consolidated Law on Finance)

1. The undersigned Marco Gobbetti in his capacity as "Managing Director" and Alessandro Corsi in his capacity as "Manager charged with preparing Company's Financial Reports" of Salvatore Ferragamo S.p.A. certify, having also taken account of the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
   - - the adequacy in relation to the company's structure and
   - the effective application of the administrative and accounting procedures for the preparation of the separate financial statements for the 1 January – 31 December 2022 period.

2. The adequacy of the administrative and accounting procedures for the preparation of the 2022 separate financial statements has been assessed on the basis of the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission which is the generally accepted model internationally.

3. It is also certified that
   3.1 The separate financial statements as at 31 December 2022:
      a. have been prepared in accordance with the applicable international accounting standards as endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and Council, dated 19 July 2002, and subsequent integrations;
      b. correspond with accounting books and records;
      c. are suitable to provide a true and fair representation of the financial conditions, results of operations and cash flows of the Company.

   3.2 The Directors' report on operations includes a reliable analysis of operating performance and results, as well as of the situation of the Company, as well as a description of the main risks and uncertainties to which it is exposed.

Florence, 2 March 2023

Managing Director
Marco Gobbetti

Manager charged with preparing Company's Financial Reports
Alessandro Corsi

REPORT OF THE BOARD OF STATUTORY AUDITORS

Report of the Board of Statutory Auditors to the Shareholders' Meeting

(pursuant to art. 153 of Italian Leg. Decree 58/1998)

Dear Shareholders,

The Board of Statutory Auditors of Salvatore Ferragamo S.p.A. (hereinafter also referred to as "Ferragamo" or "Company"), pursuant to art. 153 of Italian Leg. Decree 58/1998 ("TUF", which stands for Testo Unico della Finanza – Consolidated Law on Finance in Italian), shall report to the Shareholders' Meeting convened for the approval of the financial statements on the supervisory activities carried out during the year as well as any potentially material omissions or reprehensible events. In addition, the Board of Statutory Auditors shall also make proposals regarding the financial statements and their approval as well as the matters within its area of responsibility.

This report concerns the work performed by the Board of Statutory Auditors during the year ended 31 December 2022 (hereinafter also referred to as "Report").

The 2022 separate financial statements closed with a profit of 89.2 million Euro compared to a profit of 32.8 million Euro in the previous year. At a consolidated level, the Group profit amounted to 70 million Euro, compared with a profit of 79 million Euro in the previous year.

Introduction

In the year ended 31 December 2022, the Board of Statutory Auditors performed the supervisory activities required by law in accordance with the standards of conduct recommended by the Italian National Board of Accountants and Auditors (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili), Consob's regulations on corporate controls, and the guidance in the Corporate Governance Code approved in January 2020 by the Corporate Governance Committee.

The activities described below were formally recorded in the minutes of the 18 meetings the Board of Statutory Auditors held during 2022 and the 4 meetings held in 2023 up to the preparation of this Report.

It is reported that as the Covid-19 state of emergency persists in 2022, albeit in a less restrictive form, the Board has limited access to the Company's premises, alternating between remote connections for meetings with management and in-person meetings.

Appointment of the Board of Statutory Auditors

The Board of Statutory Auditors as at the reporting date had been appointed, based on a slate-voting system, in accordance with the law and the bylaws, also taking into account the provisions on gender balance, by the Shareholders' Meeting of 8 May 2020 and consisted of Andrea Balelli (Chair), Paola Caramella (Acting Statutory Auditor), and Giovanni Crostarosa Guicciardi (Acting Statutory Auditor).

The same Meeting also appointed the Substitute Statutory Auditors Roberto Coccia and Antonella Andrei.

Supervisory activities pursuant to art. 149 of the TUF

Pursuant to art. 149 of the TUF, the Board of Statutory Auditors supervises:
- compliance with the law and the bylaws;
- adherence to the principles of sound management;
- the adequacy of the Company's organizational structure as far as matters within its area of responsibility are concerned, the internal control system, and the administrative -accounting system – as well as the latter's reliability in presenting fairly the Company's operations;
- the implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the Company has formally adopted through public disclosures;
- the adequacy of the instructions the Company gives to subsidiaries pursuant to art. 114, paragraph 2 of the TUF.

<u>Supervision of compliance with the law and the bylaws</u>
The Board of Statutory Auditors acquired the information necessary for the performance of the supervisory duties assigned to it by attending, as a body or with the presence of at least one member, the meetings of the Board of Directors and the Board Committees, the hearings of the Company's and the Group's management and meetings with the audit firm.

The Board of Statutory Auditors has always attended the meetings (i) of the Board of Directors, (ii) of the Control and Risks Committee – which acts also as the Committee responsible for Transactions with Related Parties and corporate sustainability – and (iii) of the Nomination and Remuneration Committee.

Events that materially impacted financial performance, financial position, and cash flows during the year

The Board of Statutory Auditors has obtained information on the operations carried out and the transactions that materially impacted the Company's financial performance, financial position, and cash flows, as well as the Group's strategic guidelines, from the Directors on a monthly basis. The Board of Statutory Auditors can provide reasonable assurance that the transactions authorized and conducted by the Company comply with the law and the bylaws and are not manifestly imprudent, risky, in conflict of interest, contrary to the decisions of the Shareholders' Meeting, or such as to compromise the integrity of corporate assets. In addition, there were no atypical or unusual transactions;

Specifically, the Board of Statutory Auditors reports that the following significant transactions and events occurred in 2022:

On 12 April 2022, the Shareholders' Meeting confirmed the appointment of Marco Gobbetti, who had already been co-opted by the Board of Directors on 14 December 2021 pursuant to Article 2386, paragraph 1 of the Italian Civil Code, as a Director of the Company. The Board of Directors, meeting on the same date, (i) confirmed all the powers already granted to the Managing Director and General Manager on 14 December 2021, and (ii) approved the new Strategic Plan 2023-2026.

On 10 May 2022, the Board of Directors (i) approved the update of the Regulations of the Manager in Charge; (ii) terminated the 2019-2021 LTI Plan without payment of any bonus to the beneficiaries due to the non-achievement of the targets; and (iii) confirmed the option for National Tax Consolidation for the 2022-2024 three-year period.

On 12 July 2022, the Board of Directors approved the update to the Modern Slavery Statement.

On 6 September 2022, the Board of Directors decided on the new composition of the Ethics Committee and expressed its new partnership with the digital platform Farfetch.

On 8 November 2022, the Board of Directors (i) appointed the new General Counsel of the Company as Secretary to the Board of Directors; and (ii) approved the new disclosure policy of additional periodic financial information pursuant to Article 82-ter of the Consob Issuers' Regulation.

On 13 December 2022, the Board of Directors (i) approved the 2023 Budget; (ii) approved the update and amendment of the Company's Organizational Model pursuant to Italian Law 231/2001; (iii) approved the structure of the 2023 STI Plan to be included in the 2023 Remuneration Policy to be submitted to the Shareholders' Meeting to be held on 26 April 2023; and (iv) approved the 2023-2025 Sustainability Plan.

In addition, the following significant transactions and events occurred in 2023 up to the reporting date:

On 26 January 2023, the Board of Directors: (i) updated the Group's Enterprise Risk Management Framework policy; (ii) approved the 2023 Audit Plan; (iii) approved some amendments to the text of its Regulations; (iv) approved the objectives of the STI Plan for the Managing Director and General Manager, Managers with strategic responsibilities and Internal Audit; and (v) decided on the new composition of the Ethics Committee, which was supplemented.

On 27 February 2023, the independent director Anna Zanardi Cappon resigned as a Director, effective as of the date of the Shareholders' Meeting called to approve the financial statements for the year 2022.

On 2 March 2023, the Board of Directors: (i) approved the draft separate financial statements and the consolidated financial statements as at 31 December 2022, accompanied by the Non-Financial Statement as at 31 December 2022, pursuant to Italian Leg. Decree 254/2016; (ii) approved the 2023 Remuneration Policy, the new LTI Share Plan called Performance and Restricted Shares 2023-2025 for managers and the amendment to the Restricted Shares Plan; (iii) resolved to submit the proposal of the Board of Statutory Auditors for the review of the independent auditors' fees to the Shareholders' Meeting on 26 April 2023.

In addition, the Board of Statutory Auditors:

- in its capacity as Supervisory Body pursuant to Italian Leg. Decree 231/2001, examined the matters addressed by said decree and found no significant reprehensible issues or events;
- held regular meetings with representatives of the audit firm to mutually exchange data and information material to the discharge of its duties in accordance with art. 150, paragraph 3 of the TUF. In this regard, there was no material data or information to be disclosed in this report;
- did not receive complaints as per art. 2408 of the Italian Civil Code;
- issued opinions on the remuneration of directors holding specific positions in accordance with art. 2389, paragraph 3 of the Italian Civil Code;
- issued opinions on the so-called "non-audit fees" for services other than auditing, in accordance with applicable laws and the Company's internal procedure, examining specifically their impact on independence, with nothing to report in this regard.

In addition, concerning the Company's bodies and functions, the Board of Statutory Auditors reports that:
- the Board of Directors held 8 meetings in 2022;
- the Control and Risks Committee met 13 times in 2022 (including 3 times as the Committee responsible for transactions with related parties);
- the Nomination and Remuneration Committee held 12 meetings in 2022;
- the Supervisory Body as per Italian Leg. Decree 231/2001 held 7 meetings in 2022.

<u>Supervision of adherence to the principles of sound management and the adequacy of the organizational structure</u>

The Board of Statutory Auditors:
- obtained information on and supervised, within the scope of its responsibilities, the adequacy of the Company's organizational structure and adherence to the principles of sound management through direct observation as well as by gathering information from the heads of corporate departments and meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard and considers the Company's organizational structure to be essentially suitable for its needs and those of the Group as well as for ensuring adherence to the principles of sound management;
- assessed and supervised the adequacy of the administrative-accounting system, as well as its reliability in presenting fairly the Company's operations, by obtaining information from the heads of the relevant departments, examining business documents, and analyzing the work of the audit firm. The Board of Statutory Auditors has nothing to report in this regard.

The Board of Statutory Auditors has ascertained that directors and statutory auditors receive adequate supporting documents about the items on the agenda of Board of Directors' meetings with reasonable advance notice.

Based on the acquired information, the Board of Statutory Auditors acknowledges that management makes decisions in an informed and reasonable manner and directors are aware of the risks and impacts of the transactions carried out.

The Board of Statutory Auditors did not find any significant atypical and/or unusual transactions, including intragroup transactions as well as intragroup and non-intragroup related party transactions.

In addition, the Board of Statutory Auditors also assessed the adequacy of the information disclosed in the Directors' report on operations on the lack of significant atypical and/or unusual transactions.

Supervision of the actual implementation of corporate governance rules

Pursuant to art. 149, paragraph 1, lett. c-*bis* of the TUF concerning the supervision by the Board of Statutory Auditors of "*the actual implementation of the corporate governance rules set out in the codes of conduct issued by regulated market operators or trade associations that the company has formally adopted through public disclosures*", the Board of Statutory Auditors supervised:

- the actual implementation of the corporate governance rules set out in codes of conduct that the Company has formally adopted through public disclosures. In accordance with art. 123-bis of the TUF, the Company prepared the annual Report on Corporate Governance and Ownership Structure for 2022, approved on 2 March 2023, which includes information about (i) the Company's ownership structure; (ii) the Company's actual corporate governance practices; (iii) the key characteristics of the existing risk management and internal control systems, including as far as the separate and consolidated financial reporting process is concerned; (iv) the functioning of the Shareholders' Meeting, its main powers, the rights of Shareholders, and how they can exercise them; and (v) the composition and functioning of the administration and control bodies and the relevant committees, as well as the other disclosures required by art. 123-bis of the TUF;
- the adoption of the Remuneration Policy for Directors and Managers with strategic responsibilities, in accordance with the Corporate Governance Code;
- the approval of a new LTI Share Plan called Performance and Restricted Shares 2023-2025 aimed at Group managers, in line with the provisions of the Corporate Governance Code;
- the approval of the amendments to the Share Plan called Restricted Shares;
- the implementation of the procedure for the commissioning of services to the audit firm within the Ferragamo Group during the year.

In addition, the Board of Statutory Auditors acknowledges that: (i) in accordance with the requirements in art. 148, paragraph 3 of the TUF and the guidance provided by the Italian National Board of Accountants and Auditors as well as the Corporate Governance Code, it verified whether its members met the independence, professional expertise, competence and honesty requirements as per applicable laws; (ii) it found that the criteria and procedures adopted by the Board of Directors for the annual assessment of the independence of its independent directors were properly implemented, and that the Board of Directors conducted an analysis based on substantiated evidence and consistent with the decisions concerning the identification of Ferragamo's related parties. The assessment of independence was carried out twice during the year, and the Board has no comments to make in this regard; (iii) it supervised the process aimed at adopting the policy for the remuneration of directors and managers with strategic responsibilities, in line with the provisions of the Corporate Governance Code.

Supervision of the adequacy of the instructions the Company gives to subsidiaries

Pursuant to art. 114, paragraph 2 of the TUF: (i) listed issuers give the instructions necessary for the subsidiaries to disclose all information required to meet disclosure requirements in accordance with the law; (ii) the subsidiaries provide the requested disclosures in a timely manner.

The Board of Statutory Auditors supervised the adequacy of the instructions given to subsidiaries, and found that the Company is able to promptly and regularly meet disclosure requirements in accordance with the law – including by gathering information from the heads of organizational functions and regularly meeting with the audit firm to mutually exchange material data and information. The Board of Statutory Auditors has nothing to report in this regard.

In addition, the Boards of Directors of the subsidiaries generally include among their members Directors and/or Managers of the Parent company vested with executive powers, thus ensuring a coordinated management and an adequate flow of information supported by appropriate accounting records.

Intragroup or related-party transactions

In accordance with art. 2391-bis of the Italian Civil Code as well as Consob resolution no. 17221 of 12 March 2010 containing the "Related-Party Transactions Regulation" (as amended), on 30 March 2011 Ferragamo's Board of Directors, with the favorable opinion of the Related-Party Transactions Committee – which consists only of independent directors (and is appointed for this purpose with a specific resolution of the Board of Directors in accordance with art. 4, paragraph 1 of said Regulation), adopted the "Procedure governing transactions with related parties", which was subsequently updated most recently on 11 May 2021.

Pursuant to art. 4 of said Regulation, we certify that the Procedure adopted by the Company (i) is consistent with the principles set out in the Regulation, and (ii) is published on the Company's website (*https://group.ferragamo.com*).

Based on the acquired information, in 2022 several transactions with related parties were carried out both within the Group and with third parties. As far as we know, based also on our supervisory work, transactions with related parties were carried out essentially in accordance with said procedure and the Regulation. The intragroup transactions we examined appear to be part of the ordinary course of business, as they concern commercial services as well as the exchange of administrative, financial and organizational services. These transactions were carried out on arm's length terms, determined in accordance with standard parameters reflecting the actual use of the services concerned, and were in the interest of the Company. The transactions with non-intragroup related parties we examined also appear to be part of the ordinary course of business (as they fall within day-to-day operating activities or the relevant financing activities) and were concluded on arm's length or standard terms. The transactions with related parties are disclosed in the Explanatory notes to the separate and consolidated financial statements along with the relevant economic impact.

In our opinion, all said transactions were carried out in the interest of the Company.

Supervision pursuant to Italian Leg. Decree no. 39/2010

Pursuant to art. 19 of Italian Leg. Decree no. 39/2010, as amended by Italian Leg. Decree 135/2016, the Board of Statutory Auditors (referred to as the "Audit Committee") shall:

- notify the audited entity's administrative body of the audit findings, as well as submit the additional report as per art. 11 of Regulation (EU) no. 537/2014 to said body along with any observations;
- monitor the financial reporting process;
- monitor the effectiveness of the internal control, internal audit and risk management systems;
- monitor the statutory audit of the annual and consolidated financial statements;
- verify and monitor the independence of statutory auditors or audit firms pursuant to arts. 10, 10-bis, 10-ter, 10-quater, and 17 of said decree as well as art. 6 of the EU Regulation, concerning especially the adequacy of non-audit services provided to the audited entity, in accordance with art. 5 of said Regulation;
- oversee the procedure for the selection of statutory auditors or audit firms and recommend the statutory auditors or audit firms to be appointed pursuant to art. 16 of the EU Regulation.

The Board of Statutory Auditors has worked with the Control and Risks Committee of the Board of Directors to coordinate their respective duties and avoid potential overlaps.

In this regard, the practice introduced at Ferragamo of inviting the entire Board of Statutory Auditors to the meetings of the Control and Risks Committee makes relations fluid and facilitates coordination and exchange of information between the two bodies, even when the activities of the Control and Risks Committee refer to issues of specific relevance for the purposes of Italian Legislative Decree No. 39/2010 and the supervisory matters mentioned above.

Concerning specifically the activities set out in Italian Leg. Decree 39/2010 on Statutory Auditing, we report the following.

<u>Disclosure of the audit findings and the Additional Report as per art. 11 of the EU Regulation no. 537/2014 to the Administrative Body</u>

Pursuant to art. 19 of Italian Leg. Decree 39/2010, the Board of Statutory Auditors notified the administrative body of the audit findings as well as submitted the additional report as per art. 11 of the EU Regulation no. 537/2014, issued today by the audit firm.

<u>Supervision of the financial reporting process</u>

The Board of Statutory Auditors has ascertained the existence of rules and procedures concerning the preparation and disclosure of financial information. In this regard, the Report on Corporate Governance and Ownership Structure defines the guidelines of the internal control and risk management system as well as appropriate financial reporting methods and procedures.

The Board of Statutory Auditors, with the help of the Manager charged with preparing Company's Financial Reports, examined the procedures concerning the preparation of the Company's financial statements and the consolidated financial statements as well as the other interim financial reports. In addition, the Board of Statutory Auditors obtained evidence of the process allowing the Manager charged with preparing Company's Financial Reports as well as the competent Director to issue the certifications required by art. 154-bis of the TUF.

The Board of Statutory Auditors learned that the administrative/accounting procedures for the preparation of the financial statements and any other financial disclosures are overseen by the Manager charged with preparing Company's Financial Reports, who, together with the Managing Director, certifies their adequacy and actual implementation for the purposes of preparing the separate and consolidated financial statements as well as the half-year report.

On 2 March 2023, the Managing Director and the Manager charged with preparing Company's Financial Reports issued the certifications of the consolidated and separate financial statements pursuant to art. 81-ter of Consob Regulation no. 11971/1999 as amended and supplemented.

Therefore, the Board of Statutory Auditors considers the financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Supervision of the effectiveness of the internal control, internal audit and risk management systems

The Board of Statutory Auditors, including together with the Control and Risks Committee, regularly met with the Internal Audit Manager and was informed about both the findings of the audits aimed at verifying the adequacy and operation of the internal control system – in accordance with the law as well as corporate procedures and processes – and the implementation of the relevant plans for improvement. In addition, the Board of Statutory Auditors received the 2023 Audit Plan approved by the Board of Directors on 26 January 2023 (on which the Control and Risks Committee and the Board of Statutory Auditors issued a favorable opinion at the meeting held on 19 January 2023) as well as regular updates on the progress on the 2022 Plan and any potential corrective actions. In addition, it received the Report of the Internal Audit Manager for the year 2022 as well as the Control and Risks Committee's six-monthly report.

In addition, please note that the Company adopts an integrated risk management model, in line with ERM ("Enterprise Risk Management") standards and best practices, inspired by the framework issued by the "Committee of Sponsoring Organizations of the Treadway Commission".

During 2022, the Company completed the activity of revising the Enterprise Risk Management Model, which, in compliance with the ERM Standards (COSO:2017, ISO 31000:2018), aims to emphasize the transition of risk management from a mere internal control tool to an organized and dynamic set of activities to support management in strategic planning and decision-making processes. During the year, scenario analyses of key risk factors were presented to the Board of Directors and the Control and Risks Committee on a regular basis, covering several areas, such as the energy crisis, cyber risks, the Russia-Ukraine conflict, and geopolitical risks in general.

These in-depth analyses allowed the Company to assess the impact of risk analysis using a dynamic approach based on the Company's new Strategic Plan approved by the Board of Directors, based on the developed internal model.

Therefore, the Board of Statutory Auditors considers the overall internal control system to be essentially adequate and has nothing to report to the Shareholders' Meeting.

Supervision of the statutory audit of the annual and consolidated financial statements

- Accounting procedures have been audited in accordance with the law by the audit firm KPMG, which the Shareholders' Meeting of 18 April 2019 appointed as independent auditors for the years 2020-2028;
- The Board of Statutory Auditors held regular meetings with the audit firm KPMG to mutually exchange information to perform their duties, including pursuant to art. 150, paragraph 3 of the TUF. Based on the meetings held, there are no material issues to report concerning auditing activities or significant deficiencies in the integrity of the internal control system as far as specifically the financial reporting process is concerned;
- Today, KPMG issued its report on the separate financial statements and the consolidated financial statements prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board ("IASB") and endorsed by the European Union, as well as in compliance with the provisions issued in implementation of art. 9 of Legislative Decree no. 38/05. Furthermore, in the same report, KPMG issued (i) an opinion on compliance with the Single Disclosure Format ("ESEF") provisions of Delegated Regulation (EU) 2019/815 and (ii) an opinion on the consistency of the Directors' report on operations and the information in the Corporate Governance Report with the financial statements. This report did not include objections or requests for additional disclosures. In the report on the consolidated financial statements, KPMG states it ensured the Directors approved the non-financial statement.

Independence of the audit firm, specifically concerning the provision of non-audit services

Concerning the annual review of independence requirements, the Board of Statutory Auditors states it received a written confirmation from the audit firm with the submission of the Additional Report issued today in accordance with art. 11 of the EU Regulation.

The Board of Statutory Auditors supervised the independence of the audit firm and received evidence on a regular basis of the non-audit services to be assigned (or assigned pursuant to specific regulatory provisions) to the independent auditors. As the Ferragamo Group's consolidated financial statements show, in 2022 KPMG rendered the following services to the Group, including through its network:

Entity and reference period *(Euro/000)*		**Audit services**	**Non-audit services**	**Total**
Salvatore Ferragamo SpA	(2022)	329	69	398
Ferragamo Group	(2022)	782	42	824
Total		**1,111**	**111**	**1,222**

The Board of Statutory Auditors believes the above fees are proportionate to the extent, complexity, and characteristics of the work carried out, and that the non-audit services (and the relevant fees) are not such to compromise the independence of the audit firm. The Board of Statutory Auditors also ensured that the duties assigned to the audit firm are not among those that cannot be assigned to it pursuant to the mentioned EU Regulation.

In relation to the independent auditors, the Board of Statutory Auditors reports that the aforementioned Additional Report of KPMG does not reveal any deficiencies in the internal control system in relation to the financial reporting process such that need to be reported to this auditing body, nor have any cases of actual or alleged non-compliance with laws and regulations or statutory provisions emerged.

Consolidated Non-Financial Statement (NFS)

As a public-interest entity (PIE) and large Group, Ferragamo must provide the non-financial disclosures required by Italian Leg. Decree 254/2016 transposing Directive 2014/95/EU into Italian Law, which became effective on 25 January 2017.

In accordance with said regulations, the Ferragamo Group prepared its NFS for the year ended 31 December 2022, approved by means of a resolution of the Board of Directors held on 2 March 2023 and included in the Annual Report as at 31 December 2022, in order to ensure an understanding of its operations, performance, results, and impact, addressing the topics considered material and set out in art. 3 of Italian Leg. Decree 254/2016 in accordance with the G4 Sustainability Reporting Guidelines issued in 2013 by the GRI – Global Reporting Initiative. Moreover, in order to take due account of what is indicated in the ESMA recommendation ("European common enforcement priorities for 2022 annual financial reports" of 28 October 2022), although the project of recognizing and quantifying climate change impacts is still ongoing, as required by the recommendation itself, the Group has initiated a preliminary analysis to identify climate change risks and their potential impact on the Group's activities. The Group has also started a process to adapt to the requirements of the European Taxonomy, in line with the requirements of Article 8 of Regulation (EU) 2020/852, with the aim of providing, to investors and the market, a comprehensive view of the Group's economic activities with respect to the first two objectives of climate change mitigation and adaptation.

The NFS: (I) includes a description of topics concerning: corporate governance, company policies, the management and organizational business model, and the results achieved by the Company relating to environmental matters, social and employee-related matters, respect for human rights, and anti-corruption and bribery matters; (ii) consists of 4 macro-sections: sustainability culture, responsibility towards people, responsibility towards the environment, and social responsibility.

Concerning specifically the examination of the consolidated non-financial statement, the Board of Statutory Auditors supervised compliance with the provisions in Italian Leg. Decree 254/2016 within the responsibilities assigned to it by law. In this regard, the Board of Statutory Auditors states that:

- pursuant to art. 3, paragraph 10 of Italian Leg. Decree 254/2016 and art. 5 of Consob Regulation no. 20267/2018, the Company appointed KPMG to perform a limited audit of the Ferragamo Group's consolidated non-financial statement;

- the Board of Statutory Auditors received regular updates on the groundwork for the preparation of the NFS;
- today, KPMG issued its report, certifying the compliance of the information disclosed in the NFS with the relevant laws and the reporting standards used;
- today, KPMG issued its report on the conformity of the separate financial statements (hereinafter also referred to as "Financial Statements") and consolidated financial statements, stating it ensured that the non-financial statement has been prepared.

The Board of Statutory Auditors did not find any violations of the relevant regulatory provisions, and therefore considers the non-financial reporting process to be adequate and has nothing to report to the Shareholders' Meeting.

Separate financial statements, consolidated financial statements, and Directors' report on operations

Ferragamo's draft financial statements, approved by resolution of the Company's Board of Directors on 2 March 2023, were prepared in accordance with the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and endorsed by the European Union, as well as with the legislation enacting art. 9 of Italian Leg. Decree no. 38/2005.

Concerning specifically the separate financial statements for the year ended 31 December 2022, the consolidated financial statements as at 31 December 2022, and the Directors' report on operations for the year 2022, the Board of Statutory Auditors reports that:
- the Company's financial statements and the consolidated financial statements were prepared in accordance with the structure and reporting formats required by applicable laws;
- the financial statements are accompanied by the Directors' report on operations, which summarizes the main risks and uncertainties as well as describes the Company's outlook. This report complies with applicable laws and is consistent with the resolutions of the administrative body as well as the information in the financial statements. In addition, it includes adequate disclosures of the operations carried out during the year, intragroup transactions, and the potential impacts of the pandemic and the Russia-Ukraine conflict on business goals and risks. In accordance with IFRS, the section containing related-party transaction disclosures was included in the Explanatory notes to the financial statements;
- the Company prepared also the Report on Corporate Governance and Ownership Structure, pursuant to art. 123-bis of the TUF, and the Remuneration Report pursuant to art. 123-ter of the TUF;
- the Board of Statutory Auditors received the financial statements in time for filing them at the Company's registered office along with this report;
- it verified the rationality of the assessments made and their consistency with international accounting standards;
- it verified the consistency of the financial statements with the events and information it is aware of as a result of the work carried out; therefore, it has nothing to report in this regard;
- as far as the Board of Statutory Auditors knows, the Directors did not depart from the provisions as per art. 2423 of the Italian Civil Code in preparing the financial statements;

- Ferragamo’s Board of Directors, in accordance with the joint document issued by the Bank of Italy/Consob/ISVAP on 3 March 2010, independently approved the procedure and results of the impairment test ahead of the approval of the draft financial statements, ensuring their compliance with IAS 36. The information and findings of the assessments carried out are reported in the Explanatory notes to the financial statements.

Proposal to the Shareholders’ Meeting

1. **Financial Statements as at 31 December 2022**
   In conclusion, the Board of Statutory Auditors—within the scope of its responsibilities, having noted the information in the Financial Statements as at 31 December 2022, and considering the observations included in this report—proposes that the Shareholders’ Meeting approve the Financial Statements as presented by the Board of Directors.

2. **Group Remuneration Policy**
   The Board of Statutory Auditors raises no objection to the 2023 Remuneration Policy submitted to the binding resolution of the Shareholders’ Meeting.

Final remarks

The Board of Statutory Auditors has no issues to report concerning the information obtained and the supervisory activities performed; the Board of Statutory Auditors did not find any omissions, reprehensible events, irregularities or circumstances to be reported in this document or to the Supervisory Authority.

Florence, 3 April 2023

THE BOARD OF STATUTORY AUDITORS

Andrea Balelli (Chair)

Paola Caramella (Acting Statutory Auditor)

Giovanni Crostarosa Guicciardi (Acting Statutory Auditor)

INDEPENDENT AUDITOR’S REPORT

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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Salvatore Ferragamo S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Salvatore Ferragamo S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Salvatore Ferragamo S.p.A. as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of inventories of finished products

Notes to the separate financial statements: note 2 "Statement of compliance with the IFRS and basis of preparation" and note 12 "Inventories"

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2022 include inventories of finished products of €51 million, net of the allowance for inventory of finished products write-down of €21 million. Determining the allowance for inventory of finished products write-down is a complex accounting estimate, entailing a high level of judgement as it is affected by many factors, including: • the characteristics of the company's business sector; • the market performance and fashion trends; • the age of the collection in stock; • pricing policies and sales ability through the different distribution channels. For the above reason, we believe that the measurement of inventories of finished products is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of inventories of finished products and assessing the design and implementation of material controls; • analysing changes in inventories of finished products during the year, considering their expected life cycle based on their age; • analysing documents and discussing the assumptions adopted to calculate the allowance for inventory of finished products write-down with the relevant internal departments, in order to understand the assumptions underlying the expectations of how finished products will be sold and comparing those assumptions with historical figures and our knowledge of the company and its operating environment; • assessing the appropriateness of the disclosures provided in the notes about inventories of finished products.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Salvatore Ferragamo S.p.A. does not extend to such data.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The company's directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The company's directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2019, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2020 to 31 December 2028.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the Collegio Sindacale, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The company's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2022 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2022 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2022 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2022 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Salvatore Ferragamo S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Florence, 3 April 2023

KPMG S.p.A.

(signed on the original)

Andrea Rossi
Director of Audit